WEATHER DATA APPEAR ON PAGE 18

No. 31,290

PARIS, TUESDAY, SEPTEMBER 27, 1983

ESTABLISHED 1887



Russians Return Debris From South Korean Airliner

As Soviet sailors watched Monday, Japanese crewmen hauled to their cutter a crate of wreckage from the South Korean airliner shot down by a Soviet fighter pilot on Sept. 1. Japanese and U.S. diplomats came to Port Nevelisk on Sakhalin Island to receive the debris, which included clothing and documents. Despite a boycott on flights to Russia, travel to the Soviet Union has not been severely reduced. Page 4.

Lebanese Prime Minister, Cabinet Quit After Cease-Fire Halts Most Fighting

Compiled by Our Staff From Dispatches BEIRUT - Prime Minister Shafiq al-Wazzan and his cabinet submitted their resignations Monday, hours after a cease-fire arranged by the United States and Saudi Arabia halted Lehanon's civil war.

Mr. Wazzan, a Sonni Moslem, told reporters after a meeting with President Amin Gemayel that he and the 10-member cabinet had tendered their resignations to clear the way for the "formation of a national unity cabinet to undertake the rebuilding of the homeland."

Mr. Gemayel, a Maronite Christian, said later in a statement that he needed time to decide whether to accept the resignations and asked the Wazzan government to remain in office "until the features of the new era crystalize and the arrangements to usher it in are

Syria and the Lebanese Druze leader, Walid Jumblat, had demanded the resignation of Mr. dition for a cease. fire in the civil war, which pitted Syrian-backed Druze militias and their leftist Lebanese allies against

Mr. Wazzan, who has been sharply criticized both by Syria and at home for failing to push for Moslem rights, announced his offer to quit after a cabinet session at the idential palace.

Political observers said Mr. Gemayel might be delaying a decision on accepting the resignation while he looked into the possibility of forming a government of national

The Lebanese Army said the cease-fire was generally holding. despite sniping on the mountain frontlines and in the Beirut suburbs and at least one infiltration attempt around the strategic bastion of Souk el-Gharb overlooking the U.S. marine encampment at Beirut International Airport

to death by snipers at the village of Kaifonn two kilometers (about a mile) south of Souk el-Gharb, the

The state-run Beirut Radio reported after nightfall that army positions in the mountain village of Kabr Chmoun were under fire U.S. officials say Syria feared clashes with the United States

from rocket-propelled grenades and automatic rifles but that the government troops were not shootng back.

and Israel. Page 2.

The radio reported that army troops fired at snipers shooting at them from Shiite Moslem neighborhoods in the Beirut suburbs and that about 20 military vehicles were spotted at sunset headed toward the Druze mountain garrison of

hounced in Damascus Sunday night by the chief Sandi mediator, Prince Bandar bin Sultan, and the Syrian foreign minister, Abdel-Ha-

The U.S. special Mideast envoy, Robert C. McFarlane, who played a key role with Saudi mediators in arranging the cease-fire, said: "I'm terribly impressed by the leadership that has been shown here in Lebanon. I'm very, very impressed by the assertive Saudi diplomacy. I'm proud to be American."

Mr. McFarlane added that the truce "marks the convening of a true dialogue among leaders of Lebanon involving individuals course of this country for a generation can lead to a truly new begin-

The agreement calls for the cease-fire to be monitored by "neu-tral observers" — expected to be United Nations officers, A team Phalange Party.

tion factions is also to work out ways to enforce the truce.

Lebanese government official said the United Nations would be asked to provide 500 observers to help police the cease-fire.

In London, the British Foreign Office said the four nations contributing to the multinational force hat has been patrolling Beirut will meet "urgently" in New York to consider what steps to take in view of the truce. Britain, France, Italy and the United States have contingents in the force.

Mr. Gemayel is to call an urgent ational reconciliation conference with factional leaders to discuss reshaping Lebanon's political makeup. Opposition leaders see the conference as a chance to end the unwritten law dating from 1943 that divides power among Lebanon's patchwork of sects, with the presidency and some other key posts going to Maronite Christians.

Lebauese officials said Mr. McFarlane and Prince Bandar had proposed that the opening session be held in Riyadh, the Saudi capital, under King Fahd's auspices. Mr. Gemayel invited observers

from Saudi Arabia and Syria to take part in the dialogue to "bring about a comprehensive national reconciliation that will be the permanent foundation of honest coexistence among the members of the Lebanese people, a guarantee for establishment of state sovereignty over all Lebanese territory and the creation of a balanced government

Lebanon's state radio said the whose experience in shaping the conference would include Mr. Jumblat and two other leaders of his anti-government coalition: Nabih Berri, leader of the Amal militia: former President Camille Chamoun: and Pierre Gemavel. founder of the rightist Christian

IMF Finds Agreement On Access

Major Nations Break Deadlock

> By Hobart Rowen Washington Post Service

WASHINGTON - The major nations of the International Monetary Fund, including the United States, broke a deadlock early Monday over an American proposal to limit the borrowing access of member nations to the IMF money pool next year and for several years

After a daylong deadlock on Sunday, the IMF's Interim Committee agreed to a two-tiered limitation on access by borrowing na-tions to IMF funds: either 102 percent or 125 percent of annual quotas, the higher figure being allowed countries that have serious balance of payments problems. These figures apply for 1984, for a maximum period of three years.

This in effect will limit borrow-

ing to no more than is available under the current rules, and was the principal demand of the U.S. Trea-

sury secretary, Donald T. Regan.
But Mr. Regan yielded to the European, Japanese and Canadian members who insisted that a more generous allotment be given to countries with severe balance of payments problems.

Expressing a great sense of relief, the IMF managing director, Jacques de Larosière, said the compro-mise would allow the IMF to continue on "a firm basis" and encourage commercial banks to maintain their activities in the Third World.

Willy De Clerco of Belgium, chairman of the IMF Interim Committee, said that the compromise of "a very delicate and complex matter is a very positive one. There are no losers, but the international community is the winner."

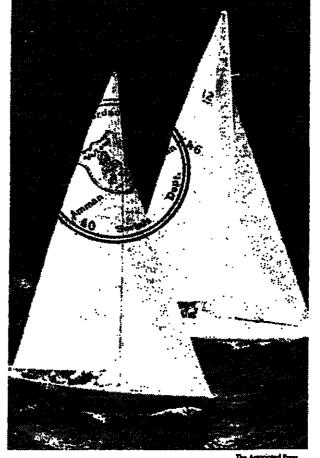
Mr. Regan said he was happy with the agreement. "We achieved our number-one objective: 102 percent is now the norm, a ceiling on most IMF 'enlarged access' loans in 1984, with exceptions for small

But Mr. Regan conceded that he failed to achieve comparable limits on so-called Compensatory Financing Facility loans, a special category designed to compensate commodity exports. He said the IMF has made \$3 billion of such loans through August, with the probability that the annual rate would run about \$5 billion.

When India, China, African and other large CFF borrowers objected to placing any kind of ceiling on CFF loans, the Interim Committee referred the matter to the IMF Executive Board for decision.

IMF officials said it was important to have reached a compromise, because a continued deadlock would have shaken worldwide confidence in the agency's ability to manage the debt crisis and would have exacerbated the trend of commercial banks' reducing their lending in Third World countries.

Another concession by the United States, in exchange for the 102 with knives and one with firearms.



Australia II Wins America's Cup Australia II, at right above, beat Liberty on Monday to win

the America's Cup - the first time in the 132-year history of the yachting series that the American entry has lost. Page 19.

Search Goes On in Ulster For Fugitives From Maze

The Associated Press

BELFAST — Police recaptured two more Irish Republican Army insurgents who escaped from the maximum-security prison at Maze on Sunday, and a search continued Monday for 21 still at large.

"It is a desperately dangerous situation," a senior police officer said. "It is like trying to corner a pack of wolves." Hundreds of soldiers and police,

ided by helicopters and tracking dogs, searched the countryside for Prime Minister Margaret

Thatcher, in Ottawa for talks with Canadian officials, said the break-James Prior, Britain's secretary

for Northern Ireland, ordered a rigorous and searching inquiry at the highest level" into how 38 men obtained guns and knives to fight their way out of the prison, 12 miles (about 19 kilometers) south of Belfast. Seventeen fugitives have been

The two taken into custody Monday were seized in the south of County Down as they headed toward the border with the Irish Republic about 40 miles south of the

prison, police said. A police spokesman said the escaped convicts, including men serving life terms for murders and bombings, stabbed one guard to death and wounded six others, five

All those who broke out of the prison are members of the IRA's provisional wing.

Sinn Fein, the legal political wing of the Roman Catholic IRA,

which seeks an end to British rule of Northern Ireland, sent its congratulations to the fugitives and called them prisoners of war. "There is a feeling of jubilation

in nationalist and republican areas because people . . . realize the British government has no right to imprison anyone in Ireland," Sinn Fein said in a statement.

A Protestant leader, the Rev. Ian Paisley, called for the resignation of Nicholas Scott, the Northern

Photographs of the fugitives were issued 14 hours after the break. Among them was Brendan McFarlane, serving life for the murder of five persons in a pub bombing seven years ago. He escaped four years ago but was recap-

Mr. McFarlane led the 1981 hunger strike at Maze in which 10 men starved to death in an unsuccessful attempt to gain official recognition as political prisoners. But he didnot participate in the fast, in which Bobby Sands, serving 14 years for weapons possession and being a member of the outlawed IRA, was

the first to die. Other escapees include Joseph Corey, serving a life term for killing an Ulster Defense Regiment soldier and said by police to have been the IRA commander in London-

"It was worth a try," one of the grin as he was led by a soldier back

Four escapees were recaptured wearing only their undershorts and

four others were seized after they swam across a river near the prison. Police said the break began Sunday when prisoners in one of the eight H-shaped cellblocks produced weapons to overpower

delivery truck. A bomb hoax at the main gate

guards and the driver of a food

Reagan, at UN, Offers Moscow **New Flexibility** On Arms Stand

By Steven R. Weisman New York Times Service

UNITED NATIONS, New York — President Ronald Reagan, calling on the Soviet Union "to reduce the tensions it has heaped on the world in the past few weeks," Monday offered what he described as concessions aimed at advancing the deadlocked Soviet-American talks on medium-range nuclear missiles in Europe.

Speaking to a packed General Assembly chamber at the opening of debate of this year's session, Mr. Reagan charged that the Russians had violated arms and other agreements in the past, but that the United States was prepared "to be flexible in our approach, indeed, willing to compromise" to win weapons agreements now.

"The door to an agreement is open," the president told the delegates, referring to the medium-range missile talks. "It is time for the Soviet Union to walk through

In the principal concession announced Monday, the United States would continue to insist on an equal number of nuclear war-heads on U.S. and Soviet mediumrange missiles, but Washington would agree not to deploy all of its permitted missile warheads in Europe. The Russians have strongly opposed any deployment of these American missiles in Europe, maintaining that the 162 French and British missiles already in place are adequate protection for

In addition, Mr. Reagan said, the United States was "prepared to be more flexible on the content of the current talks" and to discuss with the Russians the possibility of including ceilings on medium-range bombers capable of carrying nuclear warheads.

Finally, the president said Washington was prepared to accept less than the maximum number of Pershing-2 ballistic missiles as part of an overall agreement to reduce the number of both Pershins-2 and

ground-launched cruise missiles.

Current plans call for the United States to deploy 108 Pershing-2 missiles and 464 cruise missiles, starting in December, in West Germany, Italy, Belgium, the Nether-lands and Britain. Each of these missiles has one nuclear warhead, but the Russians are known to have greater fears about the Pershing-2s because they can reach Soviet territory only minutes after being

The deployment was authorized by the European allies in 1979 to counter the existence of Soviet medinm-range missiles trained on Europe. A senior administration official said Monday that the Russians have 351 SS-20 medium-range missiles, with three warheads each, and

INSIDE

that "almost all potentially threaten Europe."

Talks on these missiles have been dragging on for 18 months, with the United States insisting that there be Soviet-American equality in number of warheads worldwide, and the Russians unwilling to accept deplolyment of any new missiles on European soil. In the background of the talks has been uncertainty about possible protest in Europe if the missiles are de-

ployed at the end of the year. Mr. Reagan was warmly ap plauded at the end of his 23-minute speech, which administration advisers had described in advance as an attempt to "take the high road" after the recent acrimonious exchanges with the Russians. Tensions have grown considerably because of the charges and countercharges surrounding the downing by the Russians of a South Korean airliner on Sept. 1.

Despite a generally conciliatory tone, however, Mr. Reagan did repeat some of his recent harsh criticisms of the Russians, including a reference to the Soviet Union as "an empire" with "subservient nations" and "client governments."

He referred to the Korean airliner incident as having brought "new unwelcome evidence of brutal disregard for life and truth" by the Russians, as well as "a timely reminder of just how different the Soviets' concept of truth and international cooperation is from that of the rest of the world." "Evidence abounds that we can-

not simply assume that agreements (Continued on Page 2, Col. 6)

Reagan Says U.S. Is 'Proud' to Be Host of the UN

New York Times Service NEW YORK — President Ronald Reagan has told foreign leaders and foreign ministers attending the UN General Assembly that the United States was "proud to be the home" of the United Nations and would continue to work there for world peace.

Mr. Reagan's comments at a reception Sunday night were his first about the United Nations since he suggested last week that it might consider moving to Moscow for six months of the year. Administration aides have said

that Mr. Reagan meant no denigration of the United Nations and that he wanted to use his trip to New York City to re-emphasize U.S. support. Mr. Reagan spent a full day in

New York Sunday meeting foreign leaders before a scheduled address to the General Assembly Monday.

■ Santiago's new archbishop is

acting as a mediator to find a peaceful solution to the politi-

M Alan Cranston is a presiden-

tial candidate who combines a

sense of caution with passion

■ Caspar Weinberger warns the Chinese defense minister about

a Soviet military buildup and

promises further access to U.S.

■ Baldwin-United Corp., with

\$1 billion in short-term debts,

has sought protection from

creditors under the U.S. bank-

■ Banking and finance in the

■ Conservative leaders in En-

rope are being pushed to trim

spending on NATO. Insights.

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A SPECIAL REPORT

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Manila's Cardinal Plays Dual Role in Resolving Aquino Crisis recaptured prisoners said with a

By William Chapman

Washington Post Service MANILA — Cardinal Jaime L. Sin, who previously made frequent complaints about the rule of President Ferdinand E. Marcos of the Philippines, has moved into a new dual role that casts him as an alternating presidential confident and critic as he seeks a peaceful reconciliation of opposing forces in this tense country.

On Thursday night, the cardinal's anti-government rhetoric reached a new pitch of abusiveness,

Marcos promises to reorganize the commission investigating Aquino's murder. Page 4.

a "travesty" and likened Mr. Marcos's suppression of the media and record of evasiveness to the actions of Nazi officials. Yet on Friday night, he met with Mr. Marcos to offer a national reconciliation plan that is "the last feasible alternative to avoid the violent confrontation and bloody revolution made imminent by the temper of the times," according to a statement released by one of Cardinal Sin's aides.

The cardinal's dual role is one of the strange wonders of Philippine politics, a phenomenon difficult for outsiders to understand. He is at times the church militant scouring the demons of temporal government and at times the benevolent adviser pictured chatting amiably with the smiling president.

Whatever his secret to success, it has made Cardinal Sin a figure of towering importance in a country torn by violence and recriminations. Some regard him as the strongest source of restraint on a government often given to extremes. Since the assassination a month ago of Benigno S. Agumo.

Jr., an opposition leader, the cardi-(Continued on Page 2, Col. 4)



Cardinal Jaime L. Sin, right, presented his national reconciliation plan on Friday to President Ferdinand E. Marcos.

created a diversion while more prisoners piled into the truck, some wearing uniforms taken from captured guards. The guard who was shot had tried to raise the alarm. At the double main gate of steel and wire mesh, a guard blocked the truck's path with his own car, foreing the prisoners to escape on foot The guard who later died in the hospital was stabbed in a fight there between the fugitives and the Former King Leopold III guards and soldiers of the Royal Horse Artillery Regiment on duty of Belgium dies of heart

Computer Gang Got to Heart of Nevada's Thief-Proof Slot Machine and Hit Jackpot

By Wallace Turner

New York Times Service

STATELINE, Nevada — The Econopoulos affair began in the early afternoon of Friday, Aug. when an electronic slot machine at Harrah's Tahoe casino showed a giant jackpot winner. The sum of \$1.7 million was in the jackpot. It had been built up since January 1982, when the

previous winner collected about \$500,000. The man at the machine when the jackpotwinning line of triple bars appeared was Constantine G. Econopoulos. That afternoon he submitted to interviews with Harrah's publicists, and videotape of his remarks went out that night to television stations in San Francisco, Los Angeles and

Then, in rapid succession, facts began to unfold adding up to a stunningly modern method of

Sacramento, all big markets for Lake Tahoe casi-

machine Mr. Econopoulos had been playing and make it produce the winning jackpot.

While Nevada gaming officials are now maintaining strict silence about the case, interviews with the authorities and others in Nevada, Texas and California disclose an intriguing tale of how Mr. Econopoulos, identified by the San Francisco police as a man known to them as Gus the Runt. was recruited by people to play and collect from the rigged machine.

Nevada newspapers have speculated that Mr. Econopoulos is now living in Nevada as a guest of the Nevada Gaming Control Board, because he is the only known witness who could identify others involved in the jackpot scheme that cost Harrah's \$200,000.

The 16 machines tied to Harrah's big jackpot cheating machines that are scientifically designed are the products of modern times. Each has its own

ways that thieves found to cheat the old mechani-

The added significance of the Econopoulos affair, according to industry and regulatory sources, is that whoever found the way to reach the computer chip also had the ability to do so without leaving any electronic tracks. Such tracks would cause the casino to refuse payment of the jackpot.

Validity checks began routinely after Mr. Econopoulos bit the jackpot. But little else that followed was routine. The police in San Francisco recognized the 5-foot-2, somewhat grizzled new millionaire as a man whose past includes felony convictions in 1958 and 1970 for burglary.

to defy cheating. Someone had been able to reach the computer chip that was the heart of the slot. The capacity of the chip is mostly taken up with its the hotel, a hotel spokesman said. They checked terms, officials said. He told them that people who instructions for operation. The system was de-the machine he was playing. After a while, they him to remain as their guest.

> Two days later, according to Mark Curtis, Harrah's spokesman, Mr. Econopoulos left the hotel suddenly and Harrah's security people lost track of him. On Monday, Aug. 22, Mr. Curtis said, Harrah's told the Nevada Gaming Control Board that it appeared something was wrong with the big prosecute anyone in the jackpot case. slot machine jackpot winner

Mr. Econopoulos was eventually traced to dollar jackpots? Houston. Payment was stopped on the three \$500,000 checks, but he had cashed the one for \$200,000.

The security staff at Harrah's, nervous about the Nevada Gaming Control Board that the jack-ered, understood and met in new designs.

had recruited him to play and collect had rigged signed over the past decade in an attempt to gave Mr. Econopoulos four checks, three for the machine so the jackpot-winning symbols produce a slot machine that would foil the many 5500,000 each and one for \$200,000. They urged would appear. Whatever else he said has not been disclosed

The Econopoulos affair has revealed a serious weakness in Nevada's system of gambling controls. District Attorney Brent Kolvett of Douglas County, where Harrah's Tahoe casino is situated, has said there is not enough evidence for him to

So what is to happen to gangs who steal million-

An agreement is implicit between the casino and the players that the eventual winner will be selected by the random action of computer chips. So the After a series of interviews, he told the agents of means used to beat the machine must be uncov-

Germa. trees cause back more comments from the County law of the Time director s of Califor. kas s legacy said that one of to experiment to

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Mantine

U.S. Thinks Syria's Fear of Wider Clashes Prompted Truce

that are occupying large portions of

Earlier this month, when Israel

withdrew its forces from the Chuf

mountains to new positions in

southern Lebanon, a vicious cycle

of new fighting broke out in the Chuf and in Beirut, with the Syri-

mayel government would fold, and he could just walk down the Da-

mascus-Beirut highway behind his

According to U.S. officials, a key

element in the Syrian strategy was to instigate attacks on the U.S. Ma-

rines in the hope that domestic pressure would force Mr. Reagan

mayel of U.S. support. But, despite

misgivings in Congress over marine casualties, the officials said, it has

In addition, the officials stresse

surrogates to take control.".

By John M. Goshko Washington Post Service WASHINGTON - U.S. officials are crediting the achievement of a Lebanese cease-fire to Syria's realization that it cannot keep agitating the civil war there without increasing its military involvement

war with Israel. Specifically, the officials said, Syria's hopes of winning control in Lebanon through its support of the dissident forces fighting President

to the point at which it would risk

direct clashes with the United

States and possibly provoke a new

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by the unexpectedly strong showing of the Lebanese Army during bitter fighting in the Berrut area.

That, the officials continued, has

created a military stalemate that President Hafez al-Assad of Syria could not break unless he increased his aid to the Druze militia and other dissident groups by throwing Syrian forces directly into the fighting. But that would mean confrontation with the U.S., British, French and Italian units forming ans arming and encouraging the peacekeeping force in Beirut and, even more threatening to Mr. Shitte Moslem militia to attack the French and Italian units forming the peacekeeping force in Beirut Assad, would force Israel to con- Lebanese Army. As one U.S. offisider whether it had to go to war cial put it, "Assad believed the Geagain to prevent Syria from gaining control over Lebanon.

For these reasons, the officials said, the Syrians have apparently decided to put aside the military option, at least for the moment, and try to win greater influence in Lebanese affairs through a process of political negotiation between pressure would force Mr. Reagan Mr. Gemayel and the Syrian- to pull them out and rob Mr. Ge-

Administration officials said that a cease-fire is the necessary first step in carrying out the diplo- been made clear to Syria that the matic strategy that has been pur- marines will not be withdrawn and Reagan's special Mideast covoy, to use the massive firepower it has Robert C. McFarlane, with the aid arrayed off the Lebanese coast in of Saudi Arabia's ambassador-des- carefully calibrated responses to atignate to the United States, Prince tacks against the marines.

Bandar bin Sultan.

Specifically, that strategy centers the Lebanese Army, benefiting on inducing Syria to stop its obfrom months of intensive training
structionist activities inside Lebaby U.S. advisers, proved able in the non and cooperate in patching to- past month's fighting to withstand

ers avoided the sun when sailing to India by specifying their cabins

be: "Port out, starboard bome," creating a new synonym for

dou'ntown Houston's business, cultural and civic center simply

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thought in terms of door-to-door.

Amin Gemayel's government were gether an accord that will satisfy the political aspirations of the variance of the variance of the variance of the political aspirations of the variance of th gan's determination not to remove ous contesting factions, allow Mr. Palestinian fighters; and to keep the U.S. Marines from Beirut and Gemayel to extend his govern-control of Beirut's perimeters.

Using these factors as amount tion, the officials said, Mr. McFarlane argued to the Syrians that they had an alternative in the "national reconciliation dialogue" offered by Mr. Gemayel to his foes. The object would be to restructure the Lebanese political system to give more power to the disaffected Moslem factions. With this as a vehicle, Syrmediator in the talks, could seek to regain its former political and eco- rations were being made for meetnomic influence in Lebanon.

■ Wider Moslem Role Seen The United States hopes the cess of national reconciliation. cease-fire will promote negotiations among the warring factions and lead to "a wider political struc-ture" that may include a greater could require greater participation role for Moslems, United Press In- by Moslems in the Lebanese govternational quoted Secretary of erriment.

Uruguay Arrests Top Political Leader The secretary of state said prepaand diplomats said the arrest could scattle talks on a return to democracy ings on ways to oversee the ceasefire, possibly with United Nations observers, and to begin the proheld at an unknown location under emergency security regulations, his lawyer said. Party sources reported at least four other arrests Sunday

Although the outcome of those discussions cannot be foretold, Mr.



olunteer workers for Caritas, a charity organization, ducked for cover near Seblin, south of Beirut, as they came under sniper fire before the Lebanese cease-fire went into effect. They were taking food and medical supplies to towns and villages in the Chuf mountains.

Cardinal Plays Dual Role in Manila

(Continued from Page 1) nal has emerged as perhaps the only person capable of putting

things back together.
"He is a political bridge between the president and the opposition," said one Western diplomat. "He has stepped up his pressure [on Mr. Marcos, and the church is going to be more politically active after

The cardinal has such a preeminent political position partly because no one else commands much broad respect. In the post-Aquino period, the opposition suffers again from factionalism. It has many loud voices proclaiming themselves to be leaders but has no one with a national constituency.

Cardinal Sin's political role has changed considerably since Mr. Aquino's death. Before, he was a sporadic critic, speaking out on occasions of government excesses, such as rigged elections. He has now become a more deliberate planner and is trying to build a consensus around his ideal of "national reconciliation." He first offered the plan in February, but the

government ignored his proposal.

A copy of Cardinal Sin's propos al shows that he envisions a council composed of representatives of the

government, church, opposition meeting with the head of the go political groups and private busi-

The cardinal's plan lists several pre-conditions for reconciliation: free elections, a free press, an independent judiciary and a "thorough and impartial" public investigation of Mr. Aquino's assassination.

Although he has spurned the proposal in the past, Mr. Marcos may be more inclined to listen now that his political base and credibility have been so badly eroded by the assassination of his former enemy. But on Friday night, according to a church spokesman, the presiat" the proposal.

It was to Cardinal Sin, the leader of 45 million Philippine Roman Catholics, that the United States quickly turned after Mr. Aquino's assassination, sensing a debacle ald Reagan to visit here in Novem-

A meeting with the cardinal was arranged for Mr. Reagan's visit to but not prepared to join ranks with soften the spectacle of a U.S. president halfway around the world tion's ineffectual leaders.

ernment that is widely suspected of having Mr. Aquino killed.

It is not likely that pictures of a Reagan-Sin meeting will satisfy the opposition, which views Mr. Rea-

lieve that the cardinal's enormous moral influence may take some of the sting out of the criticism and dent promised only "to take a look lend a semblance of impartiality to

Recently, Cardinal Sin has been meeting privately with a group of influential businessmen and academicians, many of whom have turned into quiet critics of Mr. ahead in plans for President Ron- Marcos since the assassination. The group is described by one participant as composed of people "seeking an outlet" for their anger

gan's planned visit as one more symbolic American gesture of support for Mr. Marcos. Demonstrations are planned and at least one prominent businessman here has advised the U.S. Embassy to have

the visit.

IMF Reaches Compromise On Access to Borrowing Pool

1984. was abandonment of assur- allow a country that needs more ance that access would be phased down in 1985 and in later years. On cent. Saturday, the Group of 10 rich nations had endorsed Mr. Regan's stand and recommended that the enlarged access figures be gradual-

But the full Interim Committee, effecting the fears of the poorer through 1987. nations that this would be too nuch to decide now, decided merely that access limits will be re- Soviet Grain Imports viewed annually, depending on the availability of IMF resources and May Decline by 1990 borrowing demands.

Moreover, according to the text of the committee's communiqué, future access limits could be extended, as well as phased out or terminated, depending on circum-

Officials had been desperately concerned Sunday that the deadlock between a restrictive American position and the desire of most of the other nations to take a more liberal stance could not be re-

In that case, the "enlarged" access, currently 150 percent of annual quotas, for a maximum of 450 percent over three years, would automatically have reverted to 100 percent and 300 percent.

In effect, that would have meant

an automatic reduction in loan allowance for almost all countries. But under the compromise of allowances ranging from 102 percent to 125 percent, Mr. De Clercq said, "all countries will potentially have larger access" than they do now. Since quotas, which are deposits of national currencies, are being increased an average of 48 percent, the 102 percent figure approximately equals 150 percent of the current, smaller quotas. And the 125 percent limit will allow many

countries more liberal loans. But both Mr. de Larosière and Mr. De Clercq went out of their way to stress a paragraph of the minimé that states unequivocally that the access limits "should not be regarded as targets." In the same way that the IMF Executive for meetings of the joint arms consorranged will retain discretion to extend monitoring group to discuss the same way that the IMF Executive for meetings of the joint arms constructed for meeting arms are meeting at the joint arms are meeting at the joint ar

than 102 percent to go to 125 per-

Meanwhile, the United States on Sunday refused to contribute more than \$750 million a year for IDA-7, the International Development Agency's lending program that would cover fiscal years 1985

The Associated Press

PARIS — Soviet grain imports may decline to an annual level of less than 10 million metric tons by 1990 from an average annual rate of 35 million tons over four years through 1983, according to the Organization for Economic Cooperation and Development.

In a report released Monday, the OECD said the Soviet Union, which has become the world's biggest importer of grain and meat in the past few years, is likely to reduce its dependence on agricultural imports in the coming years.

But U.S. officials say they be-

democracy to be scrapped.

OSLO (AP) - U.S. Ambassador Mark E. Austad telephoned a OSLO (AP) — U.S. Ambassador Mark P. Austad responded a Norwegian woman Monday and apologized for banging on her door in the dead of night until she called the police, the American Embassy said. An embassy spokesman said the ambassador explained to the woman, who had filed a complaint with the police, that the incident occurred because he thought he was at the house of a friend. The woman, who was a described accounted the ambassador scalars and amend the scalars and am not identified, accepted the ambassador's apology and agreed to withdraw the complaint.

U.S. Envoy Apologizes for Incident

WORLD BRIEFS

MONTEVIDEO (Reuters) — Uruguzy's military government arrested a leading politician during a second national day of protest. Politicians

Fladio Fernandez Menendez, a leader of the Blanco Party, was being

en about 200 youths marched in the streets of the capital's most

affluent suburb, Carrasco, after nationwide pot-banging and blackouts to

protest 10 years of military rule.

Observers said the arrest of Mr. Menendez appeared intended to freeze

negotiations on constitutional reform, which were resuming after break-

ing down in July. They said it apparently reflected a split between moderates and hardliners who wanted the timetable for a return to

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In a statement issued during the weekend, the embassy described the incident, which occurred early last Wednesday in the northern city of Tromsoe, as a "regrettable...misunderstanding" that happened because Mr. Anstad's taxi took him to the wrong address.

Belgium Cleans Up After 9-Day Strike

BRUSSELS (Renters) — Mountains of rubbish began disappearing from Belgium's streets Monday after public service workers ended an unsuccessful nine-day strike against planned pay and benefit cuts.

With few exceptions, the last strikers returned to work Monday morning despite winning only minimal concessions from the center-right

ent. Trains, buses and streetcars were reported working normally, but officials said it would take up to a week to remove tons of accumulated garbage, distribute millions of delayed letters and clear backed-up traffic in the port of Antwerp.

The strike collapsed Friday when the Socialist trade union federation, abandoned by its Social Christian and Liberal counterparts, voted reluctantly to accept the government's offer of minor improvements.

Opposition Leader Jailed in Pakistan ISLAMARAD, Pakistan (Reuters) - Abdul Wali Khan, a leader of an

opposition party campaigning against Pakistan's martial law administra-tion, was arrested here Monday on his arrival from London Mr. Wali Khan, whose wife and aged father were already in custody, is the latest of at least 10 opposition politicians held on arrival as they returned from abroad to join the eight-party Movement for the Restoration of Democracy in its campaign against President Mohammed Zia ul-Haq. Mr. Wali Khan, 62, is a dominant figure in the National Democratic

Before leaving London, Mr. Wali Khan told the British Broadcasting Corp. that the movement would not open a dialogue with General Zia until democracy was restored. The group is demanding his resignation

Kenyans Go to Polls in Relative Calm

NAIROBI (UPI) - Millions of Kenyans voted amid relative calm Monday in the fourth general election since the country gained independence from Britain two decades ago.

Election officials said no major incidents were reported during the polling, in sharp contrast to a hectic six-week campaign. At least eight persons died in campaign-related violence before the election, police said,

All but five of the Parliament's 158 seats were at stake. Five candidates, cluding President Daniel Arap Moi and Vice President Mwai Kibaki. have already been returned to office unopposed. About 7.2 million people are registered to vote. Full results are expected Tuesday.

Shcharansky's Health Causes Concern

MOSCOW (NYT) — The mother of Anatoli B. Shcharansky said Monday she was afraid her imprisoned son would not survive the second half of his 13-year sentence unless he was hospitalized.

(Continued from Page 1) ceed the 125 percent limit, on occaperent basic borrowing limit for sion, they will not automatically 1984 was abandonment of account.

Mr. Shcharansky endured a hunger strike for 110 days last year, during which he was force-fed and lost half his weight. He was protesting the denial of his right to correspond with his family. Mr. Shcharansky abandoned the fast Jan. 14, after his mother won the right to exchange notes with him. He was arrested in March 1977 and charged with spying for the United States.

For the Record

COMISO, Sicily (AP) - Police using tear gas, riot sticks and water cannon repeatedly charged about 1,000 protesters Monday outside a base being prepared for cruise missiles, authorities reported.

HONG KONG (UPI) - Sir Percy Cradock, British ambassador to Beijing, will retire from the diplomatic service at the end of the year but will retain a major role in talks on the future of Hong Kong, it was announced Monday.

MADRID (Renters) - José Maria Ruiz Mateos, the former president of Rumasa, the huge private holding company expropriated by the Spanish Socialist government, was declared Monday in contempt of court by a judge after failing to appear on fraud charges.

Correction

The caption on a photograph that appeared on the financial pages in Monday's editions incorrectly identified the official speaking with France Minister Jacques Delors of France. He is Otto Schlecht, under state secretary in the West German Finance Ministry. The caption material supplied by The Associated Press had erroneously identified him as Gerhard Stoltenberg, the West German finance minister:

Reagan Offers New Flexibility on Arms Stand

will be fulfilled," Mr. Reagan said. He said, for example, that the Russians had failed to fulfill their promises for human rights improvements in the Helsinki accords, violated agreements on biological and chemical weapons, and hindered verification of missile agreements with encoding methods. "A newly discovered radar facility and a new ICBM raise serious concerns about Soviet compliance with agreements already negotiated," Mr. Reagan asserted, although he provided no details.

Recently, however, the Russians have rebuffed American requests

negotiated with the Soviet Union gic nuclear arms treaties.

After speaking Monday, Mr. Reagan drove back to the Waldorf Astoria Hotel for separate meetings with King Hassan II of Morocco and Prime Minister Indira Gandhi of India. Monday afternoon, Mr. Reagan flew back to Washington.

■ Tass Ignores Proposals

The Soviet news agency Tass dismissed President Reagan's speech Monday as filled with hypocritical distortions of the truth and ignored his challenge to the Soviet Union to explain such an allegation, the reach an arms accord, Reuters reported from Moscow.

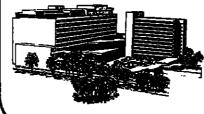
ouflage a policy of imperialism and adventure

The commentary criticized U.S. policy in Lebanon, Chad and El Salvador, which it said gave the lie to U.S. talk of peace and renanciation of violence It said Mr. Reagan's charge that

some members of the non movement were actually client states of the Soviet Union reflected his annoyance at a widening rift between Washington and the nonaligned countries. Only this could agency said.

Tass summed up the president's

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Leader Jailed in Pali atten (Reuters : - Abdul Walt Klimite manung against Painstan's manuling the water the fired takes were specifie to opposition politicans held or and to you the end the Movemental the champaign against President Motors

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Of Caution and Passion

On List of Californian's Causes

By Michael Barone Washington Post Service

WASHINGTON -Alan Cranston was 31 and had already had a lifetime's worth of interesting and exotic experiences. As foreign correspondent for the Mountain View California) Register-Leader, he sat n the Vienna courtroom where the

THE CANDIDATES

This is one in a series of occasional articles about the men who are seeking the Democratic nami-nation for U.S. president in 1984. assassins of Chancellor Dollfuss

were tried in 1934 and he covered student riots in Mexico in 1935. In 1936 and 1937, the future Democratic senator from California worked for Hearst's International News Service in London and Rome. In 1938, he was the first American reporter in Ethiopia af-ter Mussolini's conquest. A sprinter himself, he met Jesse

Owens and stood face to face with Hitler one night in Munich. In New York in 1939, he and a former Hearst editor published excerpts from "Mein Kampf" not included in the English version; lawyers for Hitler's publishers sued and got Mr. Cranston's version off the market after just 10 days.

Mr. Cranston spent most of World War II in Washington at the Office of War Information. He worked for Archibald MacLeish and Elmer Davis, and he got to know Eleanor Roosevelt; he says he lobbied her against the Japa-nese-American detention camps after visiting one and seeing his family's former gardener there. It was his idea, he says, to publicize Hitler's obliteration of the Crech town of Lidice by persuading Stern Gar-dens, Illinois, to rename itself Lidi-

These must have been heady experiences even for a man as fortunate in his background as Alan Cranston was. His father was a successful builder and real estate developer in the peninsula towns south of San Francisco. Alan grew up in the 1920s in a house called the Villa Warec in the hills above Stanford, with a swimming pool and servants. It was apricot orchard country then; it is Silicon Valley today.

The family took summer trips to Europe. His father was a strong Republican —"He'd get purple with the mention of FDR's name." Mr. Cranston's interest in politics and journalism grew over dinner table conversations and when he listened to discussions between his father and the legendary San Fran-cisco editor, Fremont Older, a pro-Older and Pop Smith of the paper in nearby Mountain View who got Mr. Cranston started in journal-

But Mr. Cranston's early career was not all success. "I learned more," he says now, "from setbacks than from success." He lost the "Mein Kampf" lawsuit and was sued by Haile Selassie for libel for writing that the emperor had a man sawed in half.

His play, "The Big Story," intended for Broadway, died out of town; he failed to make the 1936 Olympics, where he might have run with Mr. Owens in Berlin. Like many young reporters and staffers today, he had lots of contacts and interesting experiences, but they did not seem to be adding up to a Successful career.

So in 1945, he took another path or, rather, two of them. He decided to return to California, where he "surprised and pleased" his fa-ther by joining his business. He also met Grenville Clark, founder of the United World Federalists, and, first in California and then for two years in New York as Mr. Clark's top staffer, tried to advance

the cause of world government. The emphasis on nuclear disarmament in his presidential cam-paign is no accident; this has long been his foremost cause. But there is also a practical side to Mr. Cranston. He stayed in the real estate business, and in postwar California he made plenty of money; he has lived comfortably ever since, although never in the grand style of his parents.

And with an independent finan-cial base, he also entered practical

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HILTON INTERNATIONAL

Alan Cranston — A Mix

Nuclear Disarmament Is Foremost

politics. He built the California Democratic Councils, a liberal group that he says was also a mechwinning Democratic nominations under the state's old cross-filing system. With wife and family in the car, he criss-crossed the state for

From the early 1950s, he wanted to become a session, but in the Democrate landslide year of 1958, he declined to fight for the Senate nomination and instead won the office of state controller, a position whose main work was the distribution of patronage, in the form of property appraisal work. He was ousted in the Reagan landslide of 1966, and two years later took the worthless until the moderate incumbent was beaten by right-winger Max Rafferty in the primary. As a senator whose collect

By Milton Coleman

Washington Post Service

Jesse L. Jackson is recasting his

possible presidential candidacy in

1984, saying it could be more effec-

tive as a way of spearheading the election of blacks to congressional,

state and local offices than of bro-

kering black influence at the Dem-

The new emphasis comes in the

face of continued opposition to his candidacy from prominent black politicians and civil rights leaders.

This opposition persisted through

numerous meetings here at the 13th annual Congressional Black Cau-

cos legislative weekend, the pre-mier yearly gathering of the black

It also comes as Mr. Jackson has

reached a critical deadline for de-

ciding whether to run. Strong grass-roots financial and political

level backing is uncertain in both

his campaign that I know of, and it

supporter, Percy Sutton, a New York communications executive

Until recently, Mr. Jackson's ossible race was debated primari-

as a way to spotlight infrequently

black voting strength nationwide

and win delegates in selected state

nominating convention in San

But Mr. Jackson's proposal has

been plagued by concern among some critics that it would be a self-

Francisco next July.

erner Manhattan

"No money has been raised for

he is a candidate," said one Jackson races."

ocratic National Convention.

WASHINGTON - The Rev.

tion, which seemed have been George Murphy, John Tunney, S.I. Hayakawa and Pete Wilson, he has been the man the big economic interests in California have sought out when they publicity-seeking, willing to risk needed help in the Senate; he knows how to deliver (although he

Jackson Ties Campaign

To Other Black Contests



Alan Cranston

can recite a list of California detense projects he has opposed). Mr. Cranston recounts his past in a quiet tone, the style that leads reporters to say he has no charisma. Yet he has come out at least a little ahead of where the conventional wisdom placed him in each test. His impassioned interest in nuclear issues, his cautious stands on domestic problems, these reflect the postwar Cranston, But in his decision to become a candidate, you can see again the Alan Cranston of the years before 1945, impulsive, looking foolish and hoping for one

promotion campaign for a maver-ick civil rights leader who has never held public office. Moreover, many

black politicians at all levels are

reluctant to relinquish their own

Opponents have also com-

plained that a black presidential

candidate cannot win and that even

a symbolic candidacy might force the Democratic platform too far to

the left, hopelessly split blacks and Democrats and ultimately help re-

elect President Ronald Reagan, if

Consequently, relatively few

black politicians have jumped on

the Jackson bandwagon publicly. Now, Mr. Jackson is appealing

for support on the ground of in-

creased black power at the local

convince people that the issue is not just the White House," he said

sors and school board members

and county board seats. Many poli-

ticians see the new enthusiasm

[over a black presidential candi-

The thrust of the new emphasis,

state Assembly and a Jackson sup-

porter, is that "Jesse doesn't take

anything from anybody. He adds

In an effort to link black con-

cerns with those of women and

at a candidate forum Saturday that

increased registration of Southern blacks could set off a chain reac-

tion resulting in ratification of the Equal Rights Amendment, im-

"The more we talk, the more we

brokerage power.

he runs again.

prass-roots financial and political in an interview Sunday. "People really buy in at the level of supervi-

will not be raised until he decides date] as a way of winning their

primaries to use as leverage at the organized labor, Mr. Jackson said

numications executive said Arthur O. Eves of Buffalo,

Church Emerges as Intermediary in Chilean Crisis By Jackson Diehl Washington Post Service

SANTIAGO -- With the growth of Chile's protest movement, the Roman Catholic Church has shift-

ed away from confrontation with the government of General Augusto Pinochet and is emerging as a potential intermediary in the deepening crisis. The powerful church organiza-

tion long led attacks on the military's human rights violations and sheltered dissidents from General Pinochet's repression. The government counterattacked with measures ranging from the arrest and expulsion of priests to the public harassment of bishops. After the inauguration in June of

Juan Francisco Fresno as archbishop of Santiago, however, both state and church have appeared to seek a change in relations. The archbishop has focused on calls for political dialogue and conciliation, and govemment leaders have viewed the church as a possible aid in pacifying political opposition.
Church leaders increasingly have

placed themselves in the isolated middle ground between General Pinochet and the alliance of political and labor leaders seeking his

Last Monday, Archbishop Fresno appeared to defuse a potential crisis by successfully asking General Pinochet to drop charges against

Jesse L. Jackson

proved day care and fewer right-to-

Mr. Jackson's appearance at the

excite black audiences, But at other

The 20-member Black Leader-

ship Forum and the 150-membe

Black Leadership Roundtable

both umbrella groups of black

leaders, discussed a Jackson candi-

Sources who attended a forum

meeting that lasted several hours

said principal opposition came

from the executive director of th

NAACP, Benjamin L. Hooks, and

Coretta Scott King of the Southern

Jackson supporters told the fo

rum, the sources said, that those

who could not support a Jackson

candidacy publicly should at least

not attack it, as Mr. Hooks has

Christian Leadership Council.

t took no sta

work, anti-union laws.

a popular dissident labor leader, Rodolfo Seguel. Mr. Seguel, who was jailed by a judge after calling General Pinochet a "fanatical dictator," had been reported to be in deteriorating health after 10 days

of a hunger strike. General Pinochet and government supporters evidently hope Archbishop Fresno will rein in church activists in human rights and social movements and call for an end to five months of popular protests. The new archbishop is also under heavy pressure, however, from Santiago's priests and traditional church leaders to speak

Linder Cardinal Rani Silva H more forcefully against military re-pression and in support of rights for the poor and a return to democ-

Fresno has been given the image of a more conciliatory figure, and the political conditions have changed," said Jorge Onoso, an or-ganizer of the Christian Democratic Party who has worked extensively with church groups. "The hierarchy is more in the center, but on the lower levels, the church peo-ple are very committed to the common people. And those sectors are the ones carrying the protest."

church has only appeared to grow regular attacks on church organizain importance in a country whose population of 11.5 million is overwhelmingly Roman Catholic, After the military government's ban on political activity and harsh repression of leftists, the church's Solidarity Vicariate became Chile's anthoritative human rights organization and its Academy of Christian Humanism sheltered hundreds of professionals and scholars fired from universities or

Under Cardinal Raul Silva Henriquez, the church also took an activist role in labor groups and sium organizations. "The result of all this is the church has a lot of influence in the poor districts," said Duncan Livingston, executive secretary of the Academy of Christian Humanism. "In all of the slums the church is looked on as a fellow traveler, the one institution that can be respected."

Until 1980, church groups were virtually the only open critics of the military government, and General Pinochet, although unable to break

Since the 1973 coup that brought the church, often reacted harshly. General Pinochet to power, the Government officials organized tions in state-controlled media, and arrested, expelled and occasionally beat priests. By late last year, General Pinochet was refusing requests to meet with the national Catholic bishops' council, which issued a statement in December calling for a rapid return to democracy.

> The change in relations this year was shaped by the Vatican's naming in May of Archbishop Fresno to replace Cardinal Silva, who was retifing, and the eruption of antigovernment protests. Following unsuccessful efforts to repress the protest movement, General Pinochet's government has sought to disarm it through a program of liberalization and measured progress toward democracy.

In this effort, the government has seen Archbishop Fresno, who worked for 16 years in the quiet mining center of La Serena, as a potential key. "Our prayers have been answered," said General Pinochet's wife. Lucia, when the 69year-old conservative was named

spicuously cultivated the new Catholic leader. He attended the archbishop's first Mass on June 11, then invited him to lunch and sent him a Bible on his birthday.

Pro-government media besieged Archbishop Fresno for several days before the last national protest in an effort to extract a comment on whether the demonstrations should be held. While strongly deploring violence, however, the archbishop

has not taken a stand against the

At the same time, the archbishop's style has raised opposition within the church. Meeting in August, Santiago priests criticized the archbishop for lowering the church's image as a defender of the poor and for allowing the government to use him for political purposes, church sources said.



White House Weighs Watt's Future After Controversy Splits Republicans

By Dale Russakoff Washington Post Service

WASHINGTON - The future of Interior Secretary James G. Watt remains uncertain as the White House monitors political fallout from his latest controversial remarks. Conservative and moderate Republicans are split over whether his departure would hurt or help the party in the coming

White House officials were expected to confer this week with Senate Republican leaders on whether President Ronald Reagan can afford to continue backing his most conservative cabinet officer after Mr. Watt's characterization of five advisers as "a black ... a woman, two Jews and a cripple." The assistant Senate majority

leader, Theodore F. Stevens of Alaska, a conservative Republican. defended Mr. Watt Sunday as a "God-fearing man" and vowed to block a Senate resolution calling for his resignation.

The resolution, sponsored by the Senate minority leader, Robert C. Byrd, Democrat of West Virginia, forum underscored his ability to is to come to the floor Wednesday, and, in light of calls for Mr. Watt's weekend sessions, his supporters ouster by 10 Republican senators. encountered strong opposition to is expected to pass if brought to a his potential candidacy.

Watt, voiced on television, marked and all it is, is an insulting embara break in the ranks of the Senate leadership, most of whose members have joined Democrats in sternly denouncing Mr. Watt for his remarks last week about the commission investigating his embattled

coal-leasing program.

The majority leader, Howard H. Baker Jr. of Tennessee; the chairman of the Finance Committee, Robert J. Dole of Kansas, and the chairman of the Budget Commit tee, Pete V. Domenici of New Mexico, all Republicans, have called Mr. Watt a liability to the adminis tration and the party. Senator Dole told Mr. Watt by telephone Friday that he believes he should resign.

Senator Bob Packwood, Republican of Oregon and chairman of the Commerce, Science and Trans-portation Committee, also appearing on television, said that Mr. Watt should go and that Mr. Rea-gan, in not firing him, has missed an important chance to show sensitivity to minority groups.

"Honest people can disagree about [Mr. Watt's] environmental policies," Senator Packwood said. But it is not permissible to go around making ... demeaning statements about almost every group in America. Why do we have to put up with this liability that does us no good, has got nothing to Senator Stevens's support of Mr. do with the environmental policies.

The chairman of the Republican

National Committee, Frank Fahrenkopf, called Mr. Watt's comment "inexcusable." But Mr. Fahrenkopf said the statement alone should not force Mr. Watt out. Mr. Reagan, who accepted a

written apology from Mr. Watt on Thursday as adequate, remained silent on the matter Sunday.



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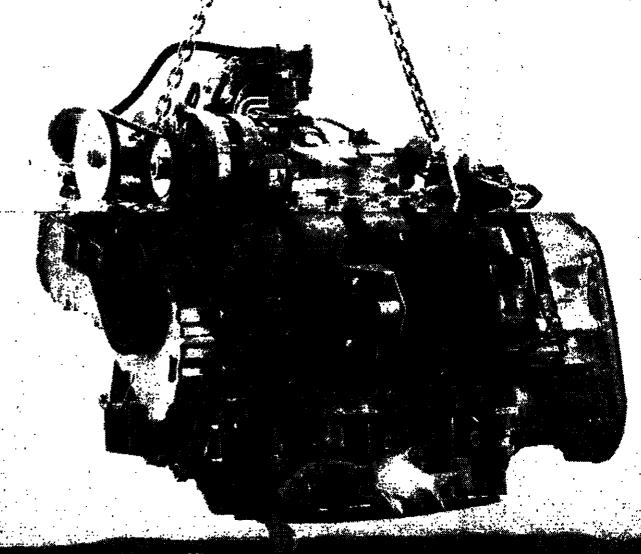
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Weinberger Tells China Of Danger From Soviet, Promises U.S. Weapons

By Fred Hiatt

BELIING - The U.S. secretary of defense, Caspar W. Weinberger, pressed the Chinese hard Monday on the need for strategic cooperation, instructing them for more than an hour about the dangers of the Soviet buildup around the world and promising them access to U.S. weapons.
The Chinese responded with

cool friendliness on both counts. promising to "study his points" on the world situation and referring the weapons question to lower-level technical teams for discussion. They made clear, however, that they believe the job of military deterrence is more appropriate for the United States than for a "poor country" like China, according to a high-level U.S. official who attended Monday's meeting between Mr. Weinberger and Defense Minister

Zhang Aiping.

Mr. Weinberger was on the second day of a five-day visit to China aimed at resuming the military re-lationship between the two countries after two years of tensions. U.S. officials would like to help modernize the Chinese Army to offset what they see as a Soviet buildup in northeastern Asia, Afghanistan and Vietnam.

The Chinese, who want access to U.S. technology in many fields, have welcomed Mr. Weinberger politely but cautiously. Mr. Zhang emphasized in his welcoming toast Sunday - and by his brief resoonse in Monday's meeting that China would not abandon its independent course by allying itself

too closely with the United States During their meeting Monday morning, Mr. Weinberger assured Mr. Zhang that the United States was sincere in its desire to allow China access to more advanced technology than has been permitted in the past. As a result of new regulations categorizing China as "friendly but non-allied," 32 items in which China expressed an interest more than two years ago will now be made available, Mr. Wein-

boycott of the Soviet Union has

inconvenienced travelers but pre-sented no insurmountable difficul-

ties, tour operators and diplomats

Tourists and businessmen from

around the world continue to visit

the Soviet Union, traveling on East

European airlines or with one of

the two Western carriers still flying

to Moscow, Air France and Austri-

ments called the boycott, some for

up to 60 days, after a Soviet fighter

an Airlines.

U.S. officials declined to specify those items, but they said some of them were munitions. The defense secretary told Mr. Zhang that the United States would look with particular favor on defensive weapons, and the new list is thought to include anti-tank missiles and radar

Mr. Weinberger said 11 more items would be made available if China provided assurances that the technology would not be passed on to third countries, a reference to the Soviet Union and North Korea.

Mr. Weinberger spent most of the morning, however, explaining the Reagan administration's view of the world, with emphasis on Soviet activities in Asia, Latin America and the Pacific.

"The Soviet buildup in the Pacific is a threat to both China and Japan," Mr. Weinberger said, according to the official account.

Mr. Zhang thanked Mr. Wein-berger for his "concise briefing." "Having listened to your briefing, we will go and study your points,"

U.S. officials took heart that Mr. Zhang did not mention Taiwan, saying only that points of disagree-ment would better be left to the foreign ministers. China's foreign minister is expected in Washington later this year.

Mr. Zhang also said, according to the U.S. official, that "we all know very well whence come the threats to China and world peace." U.S. officials saw that statement as a partial endorsement of Mr. Wein-

After the formal morning session, members of the U.S. delegation met with Chinese officials in working groups to discuss technology transfer and possible future exanges of military teams.

While those working sessions were going on, Mr. Weinberger made the obligatory visit to the Great Wall. On Tuesday he was scheduled to visit a Chinese Army garrison and meet with Prime Min-ister Zhao Ziyang.

Western Air Boycott Has Hampered



WASHOUT -- Rains in the northern Jana of Hokkaido washed out a road near the city of Noboribetsu. About 1.500 houses were flooded in the area.

Marcos Vows to Revamp Commission on Aquino

"If necessary, I intend to

West German travel agents said

et Union for the duration of the

ban, but customers who insisted on

going ahead with their visits were

many people insist on going

through with the journey despite

A West German trade associa-

tion spokesman said, "The sanc-

tions are easily circumvented and

those who need to get to Moscow

are simply flying via East Berlin,

Warsaw, Budapest or even Paris."
The East German Transport

Ministry said a large number of the

11 daily flights between Moscow

and East Berlin were being doubled

up, with two planes leaving on the

Air France and Austrian Airlines

reported not much change in their

business, even though they now of-

fer the only Western flights out of

British travel agents say they

have been badly hurt, with four of

the five major operators of Soviet

by the suspension of British Airways traffic to Moscow.

The Soviet media have portrayed

the boycott as a U.S. ploy to under-

mine competing Western airlines and have said Soviet flights are

running normally despite the ban. No mention has been made,

however, of the circuitous routes

Aeroflot planes are taking via Bu-dapest, Algiers and Marseilles to

reach Paris without flying over Switzerland and West Germany.

■ Travel Agents Assail Soviet

Agents, holding its 53d world con-

gress in Seoul, condemned the So-viet downing of the South Korean

resolution accusing Soviet military

with 269 people "who did not pose

French Navy Offices Bombed

The Associated Press

PARIS - Bombs exploded out-

side French Navy recruiting offices

here Saturday and Monday, cans-

ing some damage but no injuries, police said. In a message sent to a news agency, the banned terrorist group Action Directe claimed re-

sponsibility for the second blast

near the St. Lazare railroad station.

It condemned France's military ac-

any threat to the lives of others."

same flight number.

Ten persons were killed and **But Not Halted Trips to Soviet Union** more than 150 injured when security forces clashed with demonstrators trying to force their way through to President Marcos's pal-

ace last week. thorized rallies.

Diplomats said the visit, scheduled for Nov. 5 and 6, would go the obvious inconvenience of the stopover in Berlin," said a spokestravel

The only scenario I can really

ate in view of the unrest. But Marcos is not that sort of man - when challenged, he comes out fighting," said one diplomat quoted by Ren-

slain politician, told United Press tection by Mr. Marcos for 11 witassassination, was "impractical."
The government said Mr. Aquino

"You believe that anybody is brave enough or crazy enough to go under the protection of Marcos?" he said. "What guarantee do we have, Marcos's?"

vacations affected by the ban on Aeroflot flights to Britain and one

MANILA .- President Ferdi- of the belief that there should be nand E. Marcos announced Monday that he would reorganize the commission investigating the assassination of Benigno S. Aquino Jr.,

the opposition leader. Mr. Marcos, in a nationwide radio and television address, offered to revamp the fact-finding commis sion, which has been widely criticized, saying he wants a "free, impartial and objective" inquiry. Mr. Aquino was killed as he returned home last month from self-exile in the United States.

more members, I will consider the matter and ask perhaps two mem-bers of the Batasang Pambansa [parliament] to participate."

Meanwhile, about 1,600 extra troops and tanks have moved to Manila in a show of force after anti-government riots, triggered by Mr. Aquino's murder, and to boost security for President Rouald Reagan's visit in November, according to military and diplomatic sources quoted by Reuters.

Two battalions of soldiers have been airlifted to a military camp on the outskirts of Manila and tanks have also been brought in after the worst violence since martial law was imposed 11 years ago, they

The political opposition, which has called for Mr. Reagan's visit to be canceled, has said it will press ahead with demonstrations against the U.S. president despite a security clampdown and a ban on unau-

by saying the timing is inappropri-

Agapito Aquino, brother of the International that an offer of pronesses, whose accounts run counter to the government's version of the was killed by a hired gun who was shot to death by soldiers seconds

Mr. Marcos, whose television appearance was his second in two spired by "communist partisans, gangsters, vandals, thugs and other Spain: Is Socialists' Honeymoon Over?

NEWS ANALYSIS

MADRID - Spain's Socialist government, which appeared al-most unshakable when it took power with a four-year mandate after a landslide election victory last October, has begun to look just a little

Two potentially damaging cracks have emerged in less than a week, with a disgrantled army gen-eral openly defying the government

tionwide strikes. Felipe González submitted himself to a bruising three-day debate in the legislature, the Cortes, in which his administration came under concerted fire from opponents of both

By Brian Mooney

the left and the right. But despite the tone of the attacks, the Cortes was the 41-yearold prime minister's least concern. His Socialist Workers' Party commands an absolute majority in the lower house, the Congress, with 202 of the 350 seats.

More troubling was the pressure outside the Cortes - from sectors of the armed forces still apparently unreconciled to Spain's new democracy and from workers not willing to go along with the Social-Political sources said both devel-

coments were a jolt to the government, which was just congratulating itself on achieving an initial success in turning the tide of eco-

Discontent in the barracks, which came to light with the publication of a magazine interview with a senior army general who was critical of the government, raised yet again the specter of a military coup

in Spain. Most Spaniards had put such thoughts out of their minds since the Socialists took office in Decemher and embarked on a course of moderate reform in the style of social democrats.

But the picture changed with a recent campaign for clemency for officers imprisoned for taking part in a spectacular but abortive coup in February 1981. The campaign culminated in an interview given by the commander of the Valladolid military region, Lieutenant Gener-al Fernando Soteras Casamayor.

General Soteras said a majority of fellow officers wanted the coup plotters freed and also described a hypothetical case in which he said the armed forces would be justified n seizing power.

Mr. González reacted by sacking General Soteras. And he sounded a warning in the Cortes against military meddling in politics.

His warning was echoed by

Spain's most influential newspaper, El Pais, which said that his government should not underestimate the threat from the military.

"I would not be surprised if some element of the army tries to launch another coup," commented Xavier Arzallus, president of the Basque Arzallus, pr National Party.

The government insists, however, that there is no danger of an army receison. It dismisses assertions that Spain's young democrase is Marcos disinviting Reagan by saving the timing is inappropriate to the same of the saving the timing is inappropriate to the saving the saving the timing is inappropriate to the saving and an authosphere this son Bandonin 32 years ago, died to find a youthful some saving the timing is inappropriate to the saving author an authosphere this son Bandonin 32 years ago, died to saving the timing is inappropriate to the saving author an authosphere this son Bandonin 32 years ago, died to saving the timing is inappropriate to the saving author and authosphere that endeared him to his people that endea military.

But the government did face what amounted to open factory rebellion when workers at a stateowned steel mill in the eastern port of Sagunto defied orders to leave their jobs.

ed the 160 men involved when they continued production of rail tracks and construction girders after a decision had been made to close down their section of the Altos Homos del Mediterraneo plant,

The closure was part of a major streamlining the state sector before Spain enters the European Com-

munity at a target date of 1986. More than half the 4,000 workers at Sagunto are expected to lose their jobs under the reorganization. which the government insists is esdays, said street violence was in- sential if Spain's state industry is to be modernized and made competi-

The tough response to the work-

ers' defiance, relayed through the entire plant if the illegal work-in compromise, but the incident left a

state holding company INI, which continued.

INI followed up the notices of missal orders were withdrawn.

But the government was conthroughout Spain unless the dis-rying out the unpopular econom The two sides later reached a

the trade unions had flexed their fronted with equally awesome muscles since the Socialists came to threats. The Communist-led Workoperates the plant, stressed the imers' Commissions trade union to the government that if would movement said it would call strikes have to tread more carefully in carmeasures it says are needed to

Madrid Seeking to Loosen Influence At the same time, Prime Minister elipe González submitted himself of Catholic Church on School System

MADRID - The conflict between Spain's 10-month-old Socialist government and the Roman open Monday in a confrontation over control of the school system.

The Cortes, or parliament, was scheduled to begin considering a law to loosen the church's influence on education in Spain, which is 95 percent Catholic. At the same time, the Catholic Bishops Committee on Education

called an emergency session to decide whether to obey a government order that the church withdraw two dementary school religion text-books containing strong anti-abor-

The Education Ministry on Friday banned the two books from

texts without the required government approval.

Education officials said they had been negotiating over the language with church representatives when they learned that the books already had gone to press. Government officials said the

dispute was purely jurisdictional. But it was colored by Socialist plans to allow abortions for the first time in Spain despite strong ecclesiastical objections. Both the education reform and

abortion bills are assured of pas-sage this fall by the Socialist majority in the Cortes.

The president of the bishops

Catholic and other schools that re-conference, Gabino Diaz Merchan ceive direct public funds, saying the church printed and distributed the church would not comply

with the government order.

He said the order "would represent censorship and would go against the treaty signed [in 1979] between the Spanish state and the

The 1979 concordat was negotiated to define the church's role in Spain following the death of Franco, under whose regime Catholi-cism was the state religion.

The new scholastic law being considered by the Cortes is aimed at giving the government more control over the curriculum of statesubsidized schools. It also would sit on school councils with a role in administration.



King Leopold III signing abdication papers on July 16, 1951, with Prince Baudouin, at right.

Former King Leopold III of Belgium, Who Abdicated in 1951, Dies at 81

Life of Misfortune

New York Times Service The life of Leopold was marked by misfortune, from the early aths of his father and first wife to his abdication because of alleged

Nazi sympathies. He ascended the throne in 1934 at the age of 32 after his father, King Albert I, was killed while mountain climbing. Leopold's wife, Queen Astrid, was killed in an automobile accident in Switzerland overhaul of industry aimed at a few months later when the sports

car he was driving hit a tree. And in 1951, when violence broke out in Belgium over whether he should return to the throne after surrendering to the Nazis in 1940 against the advice of his ministers. the king abdicated in favor of his 20-year-old son, Bandouin.

Leopold was born in Brussels. He attended Eton and was trained later in Belgium for military ser-

The Associated Press vice. On Feb. 23, 1934, six days
BRUSSELS — Former King after his father's death, Leopold Leopold III, 81, who abdicated to became king amid an atmosphere

> An autocrat who favored the counsel of confidents to government officials, Leopold was suspected of Nazi sympathies when he surrendered the Belgian Army in May 1940, although most historians later said he had little choice given the speed with which the Germans were overrunning Europe and the small size and limited firepower of the Belgian Army.

After the surrender to the Germans, Leopold again ignored advice and chose to serve out the war as a prisoner rather than flee to England and head a government in

In December 1941, while a pris-oner, he matried Marie Liliane Baels, a London-born commoner. He gave her the title of Princess de Rethy with the understanding that neither she nor her children could assume the throne.

The royal couple were liberated Allied troops in Austria in May 1945 but the king did not immediately return to Belgium, naming his brother, Prince Charles, as regent while he moved to Switzerland.

He declared that he would not return until those who had been his ministers in 1940 apologized pub-licly for having counseled him to flee from the Nazis. The governnent refused.

He opposed the Communists and Socialists who came to power after the war, and they opposed his return in 1950, although he won the support of 60 percent of the voters in a plebiscite on whether he should

The margin was considered too the truckers' union. small and riots broke out in Brussels and other cities. When Leopold presidential race last returned to Brussels, troops were said, "show clearly that there is a needed to ensure his safety and civil war was threatened by leftists and others. The Socialists rallied government support and a compromise was reached so that Leopold dele-

gated his powers to his son, Prince Bandonin, and abdicated on July 16, 1951. He continued to live in Belgium and enjoyed the courtesy title of king of the Belgians.

Ruth Carter Stapleton FAYETTEVILLE, North Carolina (AP) — Ruth Carter Stapleton, 53, sister of former President Jim-

my Carter, died Monday of cancer of the pancreas, her husband said. Mrs. Stapleton, an evangelist from Fayetteville, was diagnosed in April as having cancer. She had said she would forgo medical treatment and would rely on her faith in God to help her.

appear three times with the con- labor support

Manchester hospital Saturday, the BBC reported Sanday.

siah" more than 1,000 times. Toscanini chose her for performances of Brahms's "Requiem." Paul Jacobs

NEW YORK (AP) - Paul Jacobs, 53, a major interpreter of 20th century keyboard music and

Philharmonic, died Sunday. A graduate of the Juilliard School of Music and student of Ernest Hutcheson, Mr. Jacobs premicred the works of many 20th century composers, including Karl Heinz Stockhausen, Luciano Berio and Hans Werner Henze.

Other deaths:

General Harold K. John U.S. Army chief of staff from 1964 until his retirement in 1968, of cancer Saturday in Washington. He was a survivor of the Bataan death march in 1942.

Brigadier General Harrison R. Thyng, 65, an air force flying ace in World War II and the Korean War, Saturday in Pittsfield, New Hamp-

Teamsters Leader Prefers Reagan to Mondale in 1984 New York Times Service

WASHINGTON — The Team sters will support President Ronald Reagan in 1984 if he is running against Walter F. Mondale, according to Jackie Presser, president of

Mr. Presser's comments on the presidential race last week put the nation's largest trade union at odds with almost all other U.S. unions. The leaders of the 96 unions in the American Federation of Labor and Congress of Industrial Organizations are expected to endorse Mr. Mondale for the presidency at a meeting in Florida that begins Sat-

The Teamsters union, which does not belong to the AFL-CIO, was one of the few labor groups to support Mr. Reagan in 1980, and Mr. Presser said the union, which claims a membership of 1.8 million, remains committed to him.
Mr. Presser said he and other

Teamster leaders believe Mr. Reagan deserves praise for lowering mterest rates and for other eco-nomic improvements, and he said the president's next responsibility must be to reduce unemployment.

He predicted that Mr. Reagan could easily defeat either Mr. Montween either accepting deployment or leaving NATO. Under these conditions 46 percent favored accepting the missiles, and only 22 percent said they would leave the conditions and the only British singer to nomination who is receiving some



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travelers by surprise, but the overall picture was now one of inconve-

said, "There has been absolutely no effect at all on the number of tourists here." Intourist handles 10,000 foreign visitors every day, Mr. Sinchenko said. U.S. tour operators said in a re-

States and the Soviet Union has been only slightly affected by the U.S. travelers have had no direct link with the Soviet Union since

given slights via East Berlin. "We have been staggered how

December 1981 when President

port prepared for the government that travel between the United

The French Consulate in Mostwo countries to protest the imposi-MOSCOW - The Western air cow said the boycott took some tion of martial law in Poland. they had canceled trips to the Sovi-

shot down a South Korean airliner carrying 269 people on Sept. 1. Many nations, including Britain, Switzerland and West Germany, also banned the Soviet airline Ronald Reagan stopped Aeroflot and U.S. airline flights between the Aeroflot from flying to and over



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nience rather than chaos. Alexander Sinchenko, head of the protocol department at the Soviet state travel bureau, Intourist,



tion in Chad and Lebanon. **AUTHORS WANTED** BY N.Y. PUBLISHER Leading subsidy book publisher seeks manuscripts of all types, fiction, non-fiction, poetry juvenile, scholarly and religious works, etc. New authors welcomed Send for free booklet H.3. Vantage Press, 516 W. 34th St., New York, R.Y.

Bonn Opposition Is Turning to Polls To Illustrate Anti-Missile Sentiment

By James M. Markham

The American Society of Travel New York Times Service BONN -- As the partisan debate airliner Monday as an unjustified action threatening the safety of sharpens over the projected sta-tioning of U.S. medium-range missiles in West Germany, opposition politicians are increasingly resorting to opinion polls to demonstrate The society, which has 20,000 members in 128 nations, passed a that an overwhelming majority of the country is against the new forces of attacking a civilian plane

> Earlier this month Willy Brands leader of the opposition Social Democratic Party, unveiled a new survey by the Munich-based polling organization Infratest showing that 66 percent of 1,765 people queried were against deployment if the Soviet Union and the United States failed to reach an arms accord in

Only 31 percent, Mr. Brandt said, were in favor of deployment,

and, among members of the gov-erning Christian Democratic Party, 52 percent were against the new missiles and only 46 percent in fa-For the Social Democrats, who have moved toward a softer line on security issues since being beaten in the March general election, such polls are evidently a source of so-

"They think they're immersing themselves in a great populist movement," said Klaus Liepelt of

the Infas polling group in Bonn.
The propaganda use of such

polls is evident. In a highly publicized letter to Social Democratic NATO into play, you get a better legislators, Yuri V. Andropov, the result than when you don't use it." Soviet leader, alluded last week to another poll that found 72 percent of the West German population against the new missiles In private, both politicians and

polisters are skeptical about what the missile polls really demon-"It all depends on how you formulate your question," said a government official. "If you ask a German, 'Are you in favor of rockets?'

a very high percentage will say no. If you formulate it differently, you will get a different answer. Mr. Liepelt sees the polls as saying more about human ambiva-lence than policy options. "People don't like rockets but they don't like to be defenseless," he said. One of the most intriguing find-ings of missile polls is that an extremely high percentage of respondents express strong support for the North Atlantic Treaty Organization, even while rejecting the alli-

ance's nuclear modernization pro-The poll disclosed by Mr. Brandt, for example, found that 67 percent of those against the new missiles were also in favor of "We know that the word NATO

is positively valued," said Dieter

Roth of the Forschungsgruppe Wahlen organization in Mann-

Asking simply what should hap-pen if the Soviet-U.S. Geneva talks fail, a poll for West German television found 72 percent of the population in favor of more talks and no distance between the official German security policies and the ma-

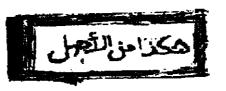
ployed?

jority opinion of the population."

But Elisabeth Noelle-Neumann of the Allensbach polling group, which has good ties with the gov-ernment, challenged that finding with one of her own based on a more complicated question: "If there is no agreement at the end of October in Geneva - and the Soviet Union continues to keep its SS-20 missiles aimed at Europe — should then Pershing-2 missiles be deployed in the Federal Republic, in keeping with NATO's two-track decision, or should they not be de-

The poll found 40 percent against deployment, 37 percent in favor and 23 percent undecided. Another Allensbach formulation gave respondents the choice be-

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Brazil's Risky Game

The Brazilian Congress has rejected, by a 252-to-1 vote, a bill to hold down wage increases. That is a bad omen. The defeated bill is not part of the economic stabilization program Brazil worked out with the International Monetary Fund, and perhaps the Brazilian congressmen thought killing it was a costless gesture. But it seems to show rising resistance to the more stringent restraint on which the IMF agreement depends. The vote on that legislation will probably come in October.

Like the U.S. Congress, the Brazilian Congress prefers to deal with the international debt crisis as though it were purely a domestic issue. In Washington, congressmen vote against strengthening the IMF in order, they happily think, to punish American banks. In Brazil, congressmen vote against wage restraint because it will mean, at least temporar-

ily, a drop in living standards.

There is a lot of nationalistic talk in Brazil about a moratorium on repayment. Since Bra-zil is perhaps a couple of billion dollars in arrears on its payments, it has already fallen into an undeclared moratorium. Relations between lenders and horrowers are increasingly tant. Reports from Brazil suggest a rising inclination there to joust with the IMF in a test of nerve and will. That temptation needs to be resisted. It would raise the chances that one of the American creditors might break ranks and rush into a U.S. court to try to seize Brazilian assets in the United States. If that happened, other creditors would feel compelled to do the

same thing, if only to protect their positions in the eventual settlement.

Brazilian politicians, other than the financial specialists, evidently do not fully understand that the Reagan administration would have no control over that process. It would go forward in the courts, and not only U.S. courts. It would escalate rapidly into a worldwide competition to attach Brazilian cargoes, ships, planes and bank accounts. People in other countries would suddenly find themselves risking litigation simply by doing business with Brazilian comman

A primitive and isolated country might hope to ride out that kind of legal attack. But Brazil ranks eighth worldwide in manufacturing output, and 14th in exports. Cut off from international credit and trade, its economy would go into paralysis, with truly dire consequences for standards of living. The effects on the U.S. economy would also be severe, as a major foreign customer disappeared and ripples of

panic ran through the credit markets.

Brazil was living for a time on foreign loans, and as foreign lending drops there will be an impact on Brazilian life and incomes. That is inevitable. The crucial thing is to keep lines of trade and credit open, and get the buoyant Brazilian economy expanding again as rapidly as possible. The creditors and the IMF have a responsibility to keep working with Brazil. Conversely, Brazil has a responsibility to keep working with the IMF.

— THE WASHINGTON POST.



If the White House will now let well enough alone, it can claim a victory in the vexed matter of Radio Marti. That is the name of the station President Reagan dearly wants in order to wage propaganda war againt Fidel Castro. But he has failed to show the need for an independently operated station, or any way that American broadcasters could be protected against

Cuba's retaliatory jamming.

So the Senate has produced a sensible-looking compromise. It would make Marti part of the Voice of America, which has the needed traditions of professionalism and accountability. Indeed, from 1961 until its budget was cut in 1974, the Voice beamed special daily programs to Cuba. In addition, the Senate would provide for compensation to any domestic station troubled by Cuban counteraction.

But instead of claiming victory, the White

tion, run by its special appointees, spending public money but with limited accountability. That says something about the fixation with Cuba in the office of William Clark, the presi-dent's national security adviser. He has tried to unglue the Senate compromise — over the protest of Howard Baker, the Republican zajority leader.

It is not love of Castro but a greater sense of care that explains the resistance to Radio Marti in Congress. Cuban ears need no special assault; most can already tune in Spanish-language (and anti-Castro) broadcasts from Florida. By concurring with the Senate com-promise, the House could assure that the War for Cuba's Ear will be fought in ways Americans can appland.

- THE NEW YORK TIMES.

Deficit Thinking

Treasury Secretary Donald Regan is busy playing the administration optimist these days, crowing about recovery and brushing aside calls for a future tax increase. Martin Feldstein, the president's economic adviser, looks at the same glass and claims it is halfempty. He says the prospect of huge deficits in 1984 and beyond is reducing exports, holding up interest rates and slowing capital forma-tion. What is needed, Mr. Feldstein argues, is a big tax increase effective in October 1985.

There may be political method to President Reagan's apparent indifference to this open conflict. Financier Regan gets to sell the good economic news, while signaling congressional Republicans that the administration will not press for an unpopular tax increase before the election. Scholar Feldstein works the other side of the political street, reassuring the president's friends on Wall Street that the adminis tration still believes deficits are horrible.

Having it both ways may temporarily be good politics. But unless Washington commits itself to something like the Feldstein approach, it is bad public policy. Some variation of a contingency tax is clearly needed to sustain the recovery. The fact that it would be hard to enact does not give the nation's leader the right

to go fishing.

The fiscal 1983 deficit is expected to be a record \$200 billion. That is good, not bad: The

After long years of repression and humilia-

tion, a normally patient and tolerant people -

suddenly galvanized by a political murder —

descends into the streets to shout its anger and disdain before the palace walls. Behind the

walls, a dictator and his underlings, worn by

age and by 20 years of absolute power, gorged on luxury but discredited by failure, dig in and

In the background, a powerful ally, a de-

mocracy with global interests, remains silent,

or else discreetly comforts - as always -

those whom the people reject.

This ally, associated with the city-dwelling

elite, supports the military in its fight against the growth in the countryside of an armed

extra spending power thus created means more factories working, more workers at work. What worries both liberal and conservative economists is that once output approaches capacity, the remaining "structural" deficit will still be a whopping \$100 billion.

If the Federal Reserve creates sufficient credit to accommodate the government's borrowing needs, the economy will overheat and the result will be inflation. If the Fed hangs tough, immense new government borrowings will crowd out private borrowers, reducing private investment and leaving American business hopelessly uncompetitive in world mar-kets. That is why the administration's January budget plan called for a \$40-billion to \$50billion tax increase, effective October 1985, unless the "structural deficit" is sharply cut.

One can argue about the specifics of the contingency tax: when it should kick in, who should pay it. But clearly the time to face up to the underlying problem is now. At worst, by 1985, the tax increase might prove mnecessary, and Congress could repeal it.

Meanwhile, rapid enactment might produce immediate benefits. The legislated promise might well lower interest rates, improve the foreign trade balance and spur productive investment. The glass can, and should be, less than half-empty and more than half-full. - THE NEW YORK TIMES.

communist movement. But the movement

tice and the repression encouraged by this U.S.

feeds on rural underdevelopment, social inju

support of the military. It is a vicious cycle.

Other Opinion larly unsuccessful."

history, no matter how long it takes.

and distrustful, they are not going to disarm or seriously reduce their arsenals. Throughout the 20th century's lutionary change of attitude. many efforts since the first Hagne control of war in the form of disarmament or limitation of arms has been a fruitless effort.

foundered on the issue of security before disarmament. No nation was prepared to sacrifice a weapon without the assurance of "security." Even the Encyclopedia Britannica in its latest edition was shaken out of its usual composure to the outspoken admission that the effort for disarmament in our time has been "spectacu-

The failure suggests that we should try another way. Control of nuclear



what? Da jerk smiled. So I goes home an' pours all da Stolichnaya down da sink. Us Noo Yoikers knows how to handle dem burns...

Keeping Peace: Governments Are No Help

GREENWICH, Connecticut — Armaments are not the cause of war; they are the instrument. The intentions behind them are the cause. These may be expansion --- territorial or ideological or both - paranoia, master-race delusions, fear, old rivalries and hatreds or any combination of the above, but some human mental-cum-emotional process must take place. Armaments, whether nuclear or conventional, do not trigger themselves nor (contrary to popular fears) go off by accident. Active intent must

Recognition of this obvious, if sometimes overlooked, fact suggests that if we are to prevent war we must find or develop some form of political accommodation with the nation we perceive as the major threat. Or, failing that, some firm, consistent national policy, steadily pursued, which can endow us with the steadfastness to wait out in nonbelligerence the paranoid phase in the Soviet Union's

Accommodation has now, of course, been made infinitely more difficult by the affair of the Korean airliner, both by revealing the ex-tremes of Soviet paranoia and by exciting the hawks and howlers of Red Scare and raising the doubts of even reasonable people. How deep the effect will be or how long it will last one cannot know, but whatever the case, the necessity remains of some minimum basis for nonbelligerent co-existence, for without it any meaningful arms control or reduction will be machievable

While nations are mutually hostile

The League of Nation's efforts during the 1920s and '30s repeatedly

By Barbara Tuchman

war is too serious a matter to be left any longer to governments. They are not going to get it for us; in fact, they are the obstacle. As President Eisenhower recognized in that oft-quoted remark, "People want peace so much that one of these days governments had better get out of the way and let

Today, the widespread fear of nuclear war may be a new element that will make the difference. It is the only motive power that could compel us toward the control of war that all the efforts of the last 80-odd years have not secured. It is an instrument, moreover, in the hands of the public.

Governments are, of course, made up of human beings who know fear no less than ordinary mortals. But the trouble with governments is that they are moved by too many other consid-erations. Policy-makers become trapped in illusions of power, individual status-seeking and self-image, vested interests, ideologies. As a result, fear has no room to energize common sense. Governments, I have concluded, cannot be looked to for genuine disarmament or meaningful arms control

Let us acknowledge it: The American and Soviet governments have no real desire to limit nuclear arms. They go on talking about it, as they are now at Geneva, and this is useful because it keeps the dialogue going, but the intention behind the talks is

The two sides have got themselves into such a bind of mutual suspicion that they cannot divest themselves of a single missile. That will take a revo-

The principle necessary for such a League of Nations Disarmament Conference of the 1930s. Summing up his experience, he wrote in his memoirs that the causes of the quarrel must be eliminated first before disarmament can take place. "The trouble with disarmam

he wrote, "was that the problem of war is tackled upside down.... Nations don't distrust each other because they are armed; they are armed because they distrust each other. And therefore to want disarmament before a minimum of common agreement on fundamentals is as absurd as to want people to go undressed in winter. Let the weather be warm, and people will discard their clothes readily and without committees to tell them how to undress."

Mr. Madariaga's metaphoric warm weather is now further off than ever. So nuclear freeze proponents and other arms control movements must maintain their conviction and their impetus as a means of keeping pressure on government. Regardless of all the arguments for and against freeze and kind of deployment and decoupling and counting warheads or mis-siles, these complexities are essentially immaterial. The ultimate objective must be kept in view; not to control

weapons per se but to control war. Through existing anti-war organi-

zations, national and local, statewide and town-based, myriad in variety and membership, the public voice must continue to make itself heard. Throughout Europe and the United States it has been growing, it must not now falter or fade. It is not united nor a consensus (the only consensus in a democracy is that of the grave) but it is the only check we have on the

imbecility of governments.

One lesson has been learned, at least in the United States, since Victnam: The executive cannot conduct a war without public support or against the national wish. The course we take rests with the people and their votes.

The writer, a Pulitzer Prize-winning historian, contributed this comment to the Greenwich (Connecticut) Time.

In Dealing With Russia, Silence May Be Golden

By William F. Buckley

TEW YORK -It is a pity, in one I way, that Andrei Gromyko will not be coming to New York, where he might be made to feel a little of the public disfavor he and his colleagues have cultivated by their insonciance in the matter of knocking 269 passengers down over the Sea of Japan. If Mr. Gromyko had wanted to

come, he could have arrived by military airplane, and we could publicly have pledged not to shoot him down. Now, it is being said that the rup-

ture with the Soviet Union is not something likely to be made whole ference of 1899, change was stated by Salvador de before the next election; that it could Madariaga of Spain, chairman of the extend for months and cause a real break in relations between the two countries. All of this is said in a spirit of trepidation. And this is a good moment to ask:

Why? Why do we need the hectic diplomatic acitivity we have been carrying on with the Soviet Union roughly since World War II? If John Maynard Keynes were commenting on it, he might make the point that this is the diplomatic counterpart of pyramid-building - a way of keepng our diplomats employed. But of what other use has it been?

Suppose, to use an analogy, that during the past 20 years you had risea

garden, which then went on to flower fitfully, causing you from time to time to redouble your efforts, confident that the more water that began with a murmur but is getting louder as the presidential election campaign approaches.

This is not only that he are the confident that the more water than the mor dent that the more water the plants ishment, you see a veritable fairyland

I do not suggest that, in dealing gy, and it might very well work. After with the Soviet Union, we will ever all, in the tragedy of the Korean see a fairviand of anyth But here is something we should re- warnings about the "godless Rusmind ourselves of. Everyone fosters sians" and their "evil empire." his own superstitions, and one of America's most confident superstitions is that talking with the Soviet Union produces peace and quiet.

several hundred times with representatives of the Chinese communists during the '50s and '60s trying to explore the question of Americans missing in Korea. Ask Henry Kissinreceive the same lecture at every meeting... Then, one day the Chinese Communists were ready to meet with Mr. Nixon and proceeded to do so. And the North Vietnamese one day decided they would make a deal with Henry Kissinger and proceeded to do so. And maybe one day Mr. Gromyko will decide to make a deal with the American disarmament ne-gotiator Paul Nitze — at which point he will proceed to do so. And that moment will come irrespective of meetings in Geneva, at the UN, in Washington or in Moscow. What is it that we want? Same old

thing, peace with security. Why do we need to meet with them about this? We have said we would disarm to the extent we can do so without jeopardizing our security or that of our allies. Why is that so complicated?

If they want to say that one Backfire bomber equals one and threefourths B-52s, or vice versa, let them say it. We can respond telegraphically, or through intermediaries. Meanwhile, we have urgent business ahead of us, namely, to deploy in Western Europe missiles that substantially countervail the stuff the Russians have been planting there during the months and years they have been engaging our attention at the diplomatic gaming tables.

Universal Press Syndicate

be tougher on the Russians.
On the other, the Democrats, to whom he owes so little, are praising him for his patience and moderation in dealing with the Russians on the control of nuclear weapons.

This is the sort of thing that makes presidents want to cut wood and ride

The Sound,

The Fury,

The Noise

By James Reston

WASHINGTON — President Reagan is getting so much noisy

advice these days that he must won-

der occasionally whether he was wise to get a hearing aid. In the past, the babble of voices probably sounded to him like distant

thunder from the right and left, but

now if he listens, he can hear what they are saying, which is bound to be

On the one hand (or ear), his old

conservative buddies, to whom he

owes so much, are shouting at him to

horses. It is hard enough to be criticized by your friends, but intolerable to be praised by your opponents. Yet the president seems to have figured out a way to juggle his dilem-ma. One day he speaks softly and

waves his big stick, and the next, he speaks loudly and waves a feather. And this infuriates everybody but the American people, who like him even when they are not quite sure what he As a short-range or presidential

campaign strategy, this is not bad. It keeps everybody off balance. No-body knows whether he is going to run or pass on third down. The Russians are afraid that he may be as reckless as they are. The allies are unsure what to make of him, or what to do without him. Same with the Republicans. And the Democrats have so many problems of their own that they cannot think about Mr. Reagan's, and very often cannot think at all.

But there comes a time - and it is not far off - when the president has to stop playing political games and decide to run or not run, and, if he runs, determine a policy.

In a way he has decided the first

question by not deciding it. He has already delayed so long about his intentions that he has put Vice President George Bush; the majority lead-er in the Senate, Howard Baker; Senator Bob Dole of Kansas, and Representative Jack Kemp of New York, among others, on "hold" — to pull out now would really leave the Grand Old Party in the lurch.

That theme he can hear, loud and clear, with or without a hearing aid.

again, but that he should run, not got, the more prodigiously they against Fritz Mondale or John would fructify. Then one day you Glenn, but against the Russians; that Glenn, but against the Russians; that became ill and were bedridden for six they may be his enemy in the world months. When released from con-with their savage stupidity, but in the finement, you drag yourself forlornly -presidential election of 1984, they to your garden and there, with astonmay be his best hope for re-election.

For Ronald Reagan, this must be a tempting and alluring political strateplane, the Russians confirmed all his

Also, if you came into the White House promising to balance the budget by reducing services for the poor and cutting taxes for the rich, and then wound up with a \$200-billion Ask U. Alexis Johnson, who met deficit, you should not be surprised if your campaign managers want to change the question.

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After all, Mr. Reagan's favorite question in the last election was whether the people felt more secure ger, who met two dozen times with and better off than they did four North Vietnamese in Paris, only to years earlier. This is not a winning question now. But if he asks whether they want to abandon him in the middle of his fight with the Russians,

that might fly at the top of the pole. But if he turned the campaign into an anti-Soviet crusade, he would have to deal with the consequences: four more years of the nuclear arms race. with larger military budgets, a divid-ed Congress, an embittered alliance and a frightened world. This is not the sort of thing most

folks would like to do in the last years whether it is preceded by parades of of their 70s, and it is not Mr. Reagan's style. He is not really a warrior, though he likes to play that role. He could easily stumble into a serious confrontation with the Russians, but he would not plan it, even if he thought it would help him. Political managers, however, think

primarily about winning elections rather than about governing a country or easing the tensions in a hungry and troubled world; so there will be

A lot will depend on the advice he takes, and how he uses his new hearing aid. That old publicity saint, Barney Baruch, thought at the end of his life that hearing aids were useful.
"You can turn them up," he said, "when people are talking sense, but you can also shut them off when people are talking nonsense. The problem is to decide which is which." The New York Times.

A Deeper, More Dangerous Cold War

- R.-P. Paringaux in Le Monde (Paris). Paris — Dr. Samuel Johnson once inquired, "Must helpless Hong Kong's Future Britain is making political mileage out of the illing Hong Kong dollar. It is seen as a sign that the colony's prosperity could not be maintained without some form of British adminis tration. The Chinese have been displaying increasing irritation at these inferences. The people of Hong Kong can look forward only to a spate of increased prices. -- The Bangkok Post

FROM OUR SEPT. 27 PAGES, 75 AND 50 YEARS AGO

1908: Manchuria's Interest

A Vicious Cycle

give the order to fire.

NEW YORK - The drive of organized labor week with a minimum wage of \$5 a day.

1933: Wave of U.S. Strikes

under the [National Recovery Administration] guarantee of the right of employees to organize for collective bargaining has resulted in strikes throughout the industrial East and Middle West. They involved Ford Motor Co. for the

MOUKDEN, Manchuria - Intense interest

in the proposed American-Chinese alliance is manifested by officials, gentry and merchants throughout Manchuria, the theater of the sharpest conflict between Chinese and Japanese officialdom. Since the war, Japan's veto on the Hsin-Min-Tun Railway extension and the refusal to recognize Chinese rights in the Fushum mines and other property have exas-perated the Chinese officials, while the domineering attitude of Japan's nationals toward the natives has provoked deep resentment. Discussing the alliance at Government House, His Excellency Liang-Ju-Hao, Acting Governor of the Feng Tien province, said, "China has the friendliest feelings toward America."

first time when between 4,000 and 5,000 workers laid down their tools today and walked out of the company's plant at Chester, Pennsylvania, as a protest against the recent order of the company shortening working hours from a five- to a four-day week. Spokesmen for the strikers said the four-day week with a minimum wage of 50 cents an hour had reduced wages to \$16 a week. They demand a five-day

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RENE BONDY FRANÇOIS DESMAISONS RICHARD H. MORGAN STEPHAN W. CONAWAY



other lands Moscow uneasily holds.

nan, in ignorance sedate, roll darkling down the torrent of his fate?" It is the most urgent question of our day. The Soviet-American struggle seems interminable, casually murderous - as over Sakhalin, and in bloody Lebanon — possibly prepar-ig a spectacular, if terminal, climax, the widespread perception that we a : on a sinister track, powerless to cl mge, is an increasingly important political damm, responsible for a deepening crisis.

The Cold War began in basic issues of security, in a struggle over the political fate of the Central and East European states. It was an active struggle with an uncertain outcome from 1944, when the Soviet Union began installing its own people in command of the East European nations, to 1953, when the East Germans rose against the Russians, and the Western powers failed to intervene. It was definitely over when the Hungarian Revolution was overturned in 1956. The lines in Europe had been drawn, and accepted.

After that, the Cold War became something different, mainly a jostling for influence by the United States and the Soviet Union in the Third World countries, along with a mutual buildup of strategic nuclear forces possessing less and less utility for anything but extermination.

All of this to what end? The common answer in Washington has been a large and necessarily theoretical statement: that it will decide whether freedom or despotism prevails in the world. This answer consists of much cant around a core of fact. It is cant because in the future,

freedom -defined as democratic po-

litical practice -- will at best exist

only in a small number of politically

favored countries, as it does today.

The forces of despotism, collectivism, or merely autocratic or dictatorial

By William Pfaff

rule (benevolent dictatorships do exist) will prevail everywhere else. The core of truth is that the United States, together with a small number of other democracies, does today embody high and humane political values irreconcilable with those of the Soviet Union, and this provides permanent tension between the Western democracies and the Soviet bloc. This tension lies behind the nation-

al rivalry between the United States and the Soviet Union, but it is by no means a sufficient explanation of the Cold War as it exists.

It would be quite possible, and a great deal safer, for the two countries to compete without their equipment of mutual extermination and a drumbeat of vituperation. This would not even require the Soviet Union to give up its universalist claims. Nuclear weapons are largely irrelevant to the search for influence in Asia, Africa and the Americas, as they are irrelevant to the struggle against Soviet power in Afghanistan, Poland and

At work today is a deeper and more dangerous confrontation of national messianisms, between two peo-ples, each with a taste for idealizing their role in history, come to mature power at the same time. Fear is also at work, that of one nation with repeated experiences of foreign interference and invasion, insecurely unified, and facing a nation that is accustomed to invulnerability. And there is auto-intoxication

each side is reassured of its own worth, its historical importance, by the scale of the rivalry. The Cold War has cut loose from

its tangible origins and has taken on the force of national mission and myth. Real issues of conflict - those crucial ones which even now worsen in Central Europe, and the question of arms control — are obscured by these new dimensions of struggle, which in our political imaginations have become the dimensions of fate itself - of the torrent of events. International Herald Tribune.

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View From Manila

Regarding "Secretly, Filipinos View Aquino Tapes" (IHT, Sept. 14): Robert Trumbull's article makes it appear that the Philippine govern-ment is doing everything to stop the free expression and circulation of ideas. As Mr. Trumbull can attest, he

and his like have had the run of our country all this time, fomenting parti-san passions to their hearts' delight. san passions to their hearts' delight.
Meanwhile, opportunists freely sell videotapes, tabloids and reprints that detail the hatchet job that the world media have done on the government of President Ferdinand Marcos, especially since Aug. 21. It now appears that the ghouls in Western media are that the ghouls in Western media are disappointed and cannot figure out of the Filipino people. Instead of

LETTERS TO THE EDITOR why Mr. Marcos's government did not fall on Ang. 21 — or on Sept. I, the day after the funeral of Benigno

S. Aquino Jr. The Filipinos, for all their easily aroused emotions, are also pragmatic. Many of them are outraged by the use which foreign media have made of this tragedy to denigrate their country. They know that Mr. Aquino, with all due respect, was just another political leader - certainly better than most but now, regretta-bly, part of history — and that no one can better deal with the fallout occasioned by his death than Mr. Marcos. It is not our government's survival that is at stake. It is the survival of

gloating and chortling over our government's imminent downfall, ask yourselves this: What good was accomplished by all the changes of regime that the media abetted and cheered on, from Vietnam to Iran, and now. Central America? TEODORO Q. PENA. Minister of Natural Resources.
Manila.

A Firm Hand in Beirut Regarding "For the Marines in Bei-rut, It's Mission Impossible" (IHT, Sept. 21) by Ze'ev Schiff:

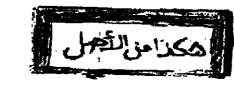
Mr. Schiff's analysis of the U.S. position in Lebanon is unduly defeatist, an attempt to sell appeasement to the United States. It is perfectly pos-

sible to pacify Lebanon with the smack of firm government. Before Turkey's present rulers came to pow-er, their country was also in a state of disintegration, torn by strife and daily assassinations. Order had broken down only because the previous gov-ernment allowed it to.

Appeasers use the false analogy between Vietnam and Lebanon. The only lesson to be learned from the Vietnamese debacle is that if one wants to help a friendly government, one must offer help openly and effectively. The tragedy of Vietnam was that the United States did too little too late. This error should not be repeated in Lebanon.
LIONEL BLOCH.

London-

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The Soun

"Peace, commerce and honest friendship with all nations, entangling allegiance with none."

THOMAS JEFFERSON

in American Declaration of Independence.

The Honourable Mrs. Indira Gandhi, Prime Minister of India, will address the United Nations General Assembly in her capacity as Chairperson of the Non Aligned Movement on Wednesday, September 28.

Mrs. Indira Gandhi's presence in the U.N. Assembly testifies to India's fundamental endorsement of international cooperation and to its recognition of the seminal role which the United States is destined to play in the preservation of global peace and the development of global prosperity.

From a nucleus of twenty-five in Belgrade in 1961 NAM has developed into a movement of ninety-nine members consisting of nations widely dispersed throughout the globe. The diversity this group represented, geographical, cultural, political and economic was and is a fact of Nonalignment, inherent in its character from its earliest beginnings. It has dedicated itself to the principle of coexistence and resolution of problems through peaceful negotiations.

Basic to this composite objective is a policy of cultivating the closest possible relations with all nations, irrespective of ideology, and in the fullest spirit of nonalignment.

The universality of this spirit has not been better expressed than in the words of Thomas Jefferson, one of the authors of the American Declaration of Independence and a founding father of the United States. "Peace, commerce and honest friendship with all nations, entangling allegiance with none"

Indo-US relations, by the very frankness with which they have been conducted by both sides, have had their ups and downs. But these have been the unavoidable fluctuations inseparable from a dialogue between two major democracies. Underlying occasional differences there is a continuing sense of a shared commitment to democratic ideals.

About one-sixth of the world's population lives in India, making it the largest democracy in the world.

Yet, as independent India's career has clearly shown, it is not numbers



alone but its undeviating attachment to the democratic system that has been the basis of its survival and achievements. Within the framework of international cooperation India has pursued a policy of self reliance.

Although it is a country in a hurry in the achievement of its economic goals it has striven consistently to reconcile development with the freedoms and rights of a democratic people.

Since Independence, though much has yet to be accomplished, considerable progress has been achieved in such areas as agriculture, industry, engineering and technology. INDIA is today the tenth largest industrialised country and has progressively developed its capacity to fight poverty which is the top-most priority in all its policies.

In this task as much as ninety percent of the resources for development has been mobilised from within India and despite the birth rate, the struggle against which continues, self-sufficiency in food has been achieved.

Specifically India has striven in recent years on improving the climate of foreign investment. It has provided a wide range of incentives and liberation is under constant review. In the result there has been a steadily increasing scope for economic collaboration and a responsiveness to India as an investment

market that promises a great deal for the future. The objective has been to provide those inducements which potential investors can properly expect.

India has come a long way in technology and technical education. Its actual and potential capacity in this field has been amply demonstrated by the number of highly qualified and successful Indian technologists and scientists in the United States.

Within India is a corps of 2.5 million scientists, including atomic scientists and technologists, participating directly or indirectly in the struggle for progress, security and the abolition of poverty. The facts and figures of Indian achievement and of what remains to be achieved speak for themselves.

For India and NAM, which Mrs. Indira Gandhi represents in her dual capacity as Chairperson of the movement and the Prime Minister of India, three dominant concerns are the search for peace, the search for friendship, and the search for economic cooperation.

Nothing can be more pragmatic than a preoccupation with development which simultaneously both demands and promotes peace. It is this outlook which India within NAM and in the global context has tried to strengthen.

She led her party to victory in the general election of 1967 and 1972; in 1977 she lost at the polls, but the nation recalled her to office in 1980. Her aim for India is to achieve growth with social justice. For the world it is one of peace, friendship and abolition of disparities among nations.

Jawaharlal Nehru, builder of modern India, related the direction and targets of India's foreign policy to the dominant needs of the internal situation at home; and it is this policy which his successor, Mrs. Indira Gandhi, continues to sustain within the democratic framework.

Mrs. Gandhi's brief is, as it was her father's, that "peace and freedom are indivisible and the denial of freedom anywhere must endanger freedom elsewhere".

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ARTS/LEISURE

A Future for a Tuscan Villa

By Henry Kamm New York Times Service

F LORENCE — Many years hence, Sir Harold Acton hopes, New York University will open a new campus that it will have inherited from him, far from Washington Square.

It will comprise five splendid Renaissance or Baroque villas and a great, formal Tuscan garden mixing greenery with statuary. Be-tween them there will be olive groves and vineyards on slones with splendid panoramas of the domes and steepies of Florence.

For the time being, Sir Harold, a sprightly man of 79 years, lives in the main villa, La Pietra, at the northern edge of the Tuscan capital, and looks and acts as though the university will have to wait for a

long time to take possession of the property he has bequeathed to it. Sir Harold, who described himself fittingly in the titles of his two Memoirs of an Aesthete" and "More Memoirs of an Aesthete," intends to spend many more years preserving, restoring and displaying the splendors of the estate, art and library assembled by

his father, Arthur Mario Acton. The bequest to the university's Institute of Fine Arts arose from Sir Harold's determination to preserve the unity of what is in itself a work of art. It is a 60-room country house and garden built in the 15th century and transformed into its present state 200 years later. In addition there is his great collection of pre-Renaissance and early-Renaissance painting, sculpture and art objects, as well as a choice li-brary of books and manuscripts.

When Sir Harold looked for an institution that would undertake to maintain the establishment intact, his own university, Oxford, where he attended Christ Church after his Eton years, was not interested. They're so concerned with administering what they have, they wouldn't have something else," Sir Harold explained.

Leaving the property to Florence was out of the question, he said, because the Italian authorities cannot afford to maintain such gifts.

Sir Harold feels close to America because his mother, the former Hortense Mitchell, was the daughter of William Hamilton Mitchell, a Chicago banker — "that's where the money came from," he ex- jobbers and bankruptcy sales. He and founder, lives in - where else? plained — and he considers the university's Institute of Fine Arts the finest in the world.

The university was "very keen on cluding Pierre Cardin, Hubert de ety day, has to have all the facts, the idea" when Sir Harold raised it Givenchy and Carlo Palazzi — to then he gives me a hard time." in the 1960s. He has received an design special lines for the store. honorary doctorate from the uni-

ers will have as their setting is a tional University and a teachers' three-story mansion in Tuscany's college and later, when the Japahoneyed yellow stone, enhanced by nese captured the city, studying green shutters. Its elegance lies in classical Chinese theater. its sturdy simplicity of line, relieved by Baroque decorative flourishes in ther, he compiled a precious collec-

rounded by paintings and tapes-tries. Library and dining room still war. But an unforgotten sense of have the vaulted ceilings of the Re-loss weiled his voice as he spoke of naissance. Against their walls the Yuan Buddha. "Oh dear!" he paintings by precursors and students of Giotto and Romanesque things I left behind."

Sir Harold, who has published always been there. A magnificent more than 20 books of biography polychrone wooden Buddha of the 13th-to-14th-century Yuan period drama, memoirs and fiction — de-

a Tuscan villa surrounded by an art life's work remained intact as collection whose every piece he something living loves. Sir Harold has one greater love. "I'm very, very fond of Tus-bottom of the garden, which his can art, the finest in Europe, don't father converted into a formal Ital- rebuilt recently to prevent its col- with the enthusiasm of a man ful-

lack of money, "it was the best thing I could have done." my heart is Chinese art." He spent seven years in the 1930s in Beijing, What future students and teach-first teaching English in the Na-

Following the example of his fathe 17th-century remodeling. A tion of painting and furniture. Belong cypress-lined alley leads from the gatehouse, which is on a heavily a wartime officer in the Royal Air traveled street, to the serenity of Force, Sir Harold struck a pose of the villa. The grand rooms lie off an en-trance hall as high as the mansion that centers on a fountain sur-that his collection would be safer

as well as some carpets are remind- scribed himself as "just a curator." ers of Sir Harold's Chinese days. His aim, he explained, was to in-Paradoxically, for a man born in sure that his father's and his own

you think?" he said. "But nearest to ian design from a proliferating En- lapsing. "Tim keeping the place in filling a high vocation.



The entrance foyer of Sir Harold Acton's villa La Pietra.

glish garden fancied by the Italian good shape for New York Univer-owners, he noted that he had had it sity and the future," he exclaimed

Variations on the Wine Bar

By Frank J. Prial

New York Times Service D ARIS -- Wine bars are all the Trage Everyone — well, everyone who drinks wine — loves them. They offer wine by the glass, cold cuts — which they call charcuterie — and the companionship of peo-

ple who share one's, er, values. What could be wrong with that? And yet . . there is something precious about wine bars. There's something off-putting about bar-tenders who explain that the wine tenders who explain that the wine tastes the way it does because the and cater to a youngish crowd, must was centrifuged rather than

Bartenders are supposed to talk about religion and politics and in-sensitive wives. But this business of announcing: "Emile Peynaud thinks the chateau's second label is better than the first." What do you reply to something like that?

The trouble with wine is that it's discussed more than it's enjoyed. And wine bars are perfect settings for all this babble. They encourage it. Thus, it should come as no surprise to discover that the wine bar as we know it is an English inven-tion. The Brits have always been terribly serious about wine. It goes with their role as connoisseurs and

critics of wine rather than as producers and heavy consumers. Wine bars swept London in the

1960s. Some cymics say the rise of 1970s, the idea jumped the Channel and caught on in and around Paris. The first English-style wine bar was the Bistrot à Vin at La Défense, the vast office and apartment complex west of the city. A while later, Willy's appeared in Rue des Petitsumps near Place des Victoires.

mostly French. A recent addition to the Paris scene, much in the same genre, is the Blue Fox, in the charming Cité Berryer, an alley of shops off Rue Royale, just up the block from Maxim's. The Blue Fox, which is

operated by an Englishman, is next

door to a restaurant that is a popu-

lar Anglo-American hangout, Le Moulin du Village.

These three places are English wine bars transplanted to Paris.

There are some French variations on the same theme. The bestknown among these is L'Ecluse -possibly because there are four L'Echuses, strategically located in and near Paris. L'Echuse is the creation of George Bardawil, a former French journalist. His bars specialize in Bordeaux wines and the types of food that set them off. For example, he sells a lot of foie gras to go

with his sweet Sauternes. Bardawil was one of the first restaurateurs in Paris to install the Cruvinet in his bars. It is a glassfronted cabinet that keeps as many as 30 opened bottles of wine completely fresh and on tap in an atmosphere of nitrogen gas. Cruvinet, or a version of it, is now found in

many American wine bars. Bardawil's places come close to being old-fashioned bars that happen to specialize in wine, but to get the real thing, the wine-bar equivalent of the neighborhood saloon, you have to go out into the business sections of Paris, to streets rarely trampled by tourists' feet.

It's tough to spot one of these places because every little corner place sells wine by the glass.

though, and their fans know where they are. One of the best-known is

jammed that in good weather many stand around some up-ended wine liter.

barrels. The clientele is white collar and blue collar and usually includes a couple of Americans and Britons who work in one of the wine bars coincided, sadly, with the decline of British beer. In the

and "sandwich" are a workable beginner's vocabulary. A list of some 20 wines available by the glass is posted on the wall. The price for a large glass of simple Beaujolais is about 75 cents. One of the cru Beaujolais, such as Morgon or Saint-Amour, can cost around eight francs (\$1). Beaujolais is the house specialty, but there are

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Rhone wines, some Bordeaux and half a dozen wines from the Loire. There are wonderful homemade rillettes, always on hand. There are good sandwiches, either on a classic baguette or on coarse country bread. There are omelets and andouillettes and hot plates of various kinds. Most people eat at the bar and run, but there is a crowded banquette for anyone with a little

more time. Similar to Le Rubis, but less accessible to midtown Paris, is Caves Mélac, a rustic litle bistro not far from the Place de la Nation, out in the working-class eastern end of the city. Perhaps because it's also a wine shop, Caves Mélac offers more wines by the glass than Le Rubis. Its omelets are more massive and its cheese plate is big enough for three people.

Le Duc de Richelieu, in Rue de Richelien, is another good downtown wine bistro. For more than 30 years, the favorite wine here has been Fleurie, one of the cru Beaujolais. Paul George, the owner, once estimated that he goes through 100 bottles of Fleurie a day. Which is a tribute to the wine and a comment on the amount of business he does. A noisy, smoke-filled hangout, there are tables in the Duc de Richelien and a fairly extensive menufor a histro.

A few other good wine bistros in Paris: Aux Auvergnats, 100 Boulevard Voltaire; Ma Bourgogne, 19. Place des Vosges; Le Relais Beau-jolais, 3 Rue Milton; Le Sancerre, 22 Avenue des Vosges des Vosges des Vosges des Vosges des Vosges des Vogges des Vogges

Most of the bistros listed here There is a network of good workawarded the Meilleur Pot, an amuing-class wine bars in Paris, al prize cooked up by the promotion arm of the Beaujolais shippers. Like most awards, it's self-serving, Le Rubis, partly because it is very good and partly because it's down-town, just a few blocks from the Place Vendôme.

Lake most awaits, it's does indicate a place worth trying. Most bistros that have won the pot offer a wallet-sized list of all the other winners. Like any good wine bistrot, Le It's a good thing to have if you plan Rubis is jammed at lunch. So to wander around Paris for more than a day or two. A pot, incidenpatrons take their glass and sand- tally, is a bottle used widely in the wich — if they can get to the bar to Beautolais region and nearby Lyorder them —out in the street and ons. It holds a little less than half a

credited with updating the store, adding high fashion and attracting dark, attractive in a fine-edged, rayounger customers. He brought in correlation to the store and dark, attractive in a fine-edged, rayounger customers. He brought in By Hebe Dorsey International Herald Tribune NEW YORK — Barney's, the new wave of Enropean designwhich stocks 40 different kinds of tuxedos, attracts Wall and Giorgio Armani, as well as the law wave of Enropean design dressing. But his shapeless mocassins tell you the man is a worker. It was Gene who suggested addi-It was Gene who suggested add-ing a women's floor in 1981, carry-Street bankers, young men on the avant-garde Japanese, whom he

Barney's, New York: A Family Story

rise and such real-estate tycoons as considers stronger in menswear Donald Trump and Harry Helmsley. A banker who did not wish to smartest men's retailing operation in New York — and, believe me, it's tough competition," adding, "I admit I'm too lazy to go down to 17th Street, but a lot of my friends

the-family formula. Its founder, Barney Pressman, knew how to select quality merchandise from attracted a better and better chen-

versity, and the Florence fine arts company 10 years ago, when the Raised in Westchester County and authorities are "very happy," he store was making \$30 million a year a prep-school product, he neversaid, telling him that, given their (it is now making double that), is theless has a New York street-

than in women's wear. Barney's is still very much a fambe quoted called Barney's "the ily business. Fred is president and ily business. Fred is president and such names as Missoni, Chloé, deals with everything even adver- Alaia, Sonia Rykiel, Versace, Artising including Sarah Moon's so-phisticated television spots in French with English subtitles.

His wife, Phyllis, is concerned do."

With display, but her favorite domain is Chelsea Passage, a recently years ago as an out-of-the way disadded section devoted to gifts, ancount clothing store, success and tiques and home furnishings. Gene, prestige came via the classic all-in
33, handles public relations, and his younger brother, Robert, 29, is in charge of finances.

Barney, the crusty grandfather - Miami. "He's one of those old tele, a fact his son Fred used to merchants with an indomitable persuade European designers—in-spirit," said Fred. "He calls in ev-

Gene, who flashes a Kennedy-Fred's son, Gene, who joined the like smile, cuts the highest profile.

ing his idea out with taste and a strong point of view. The selection is small but impeccable, including mani and, among the Americans, Geoffrey Beene, Zoran, Shamask and Ralph Lauren. Last week Luciano Soprani came from Milan to introduce his Basile fall line.

The women's area, or the Women's Duplex, was designed by Peter Marino, who is also working on a "Most men's stores get themselves For Fred, "the backbone of our new Barney's women's store, to be into trouble because they try to be business is still service. The staff is opened next year, in six brown- too much of everything to everystones separated from the men's body. We try to key-in specifically store by the Chelsea Passage.

coming back "

Barney's also makes it easy for men to shop there, Gene thinks. ing."



Fred, left, and Gene Barnev.

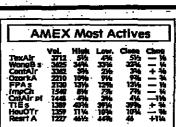
of them is that because we're out of er. But we don't try to make the the way, we feel we have to be twice store too glamorous, because men to "Barney's, New York" — another ground on a small of the store too glamorous, because men to "Barney's, New York" — another ground on the store too glamorous, because men to "Barney's, New York" — another ground on the store too glamorous, because men to "Barney's has just changed its title as good as everybody else. People don't care about fashion as such, are willing to come, but once they they care about looking nice. They come, they expect a lot. You better care about quality, they care about an additional 30 percent in revedamn well have it or they're not service, they care about being comnue, but after that, the Pressmans fortable and they care about not feel that they need to go outside being aware of what they're wear-

very high quality, we give both men and women free alterations. We on certain areas so that the Wall have 700 people working in the Barney's success, according to Street customer and the avant- store, including 175 in-house tai-Gene, is due to several things. "One garde type won't run into each oth- lors. We see ourselves as clothiers."

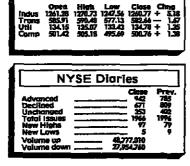
er step in the store's expansion The women's store should bring in New York - possibly to Los Angeles and Texas.

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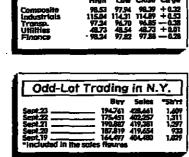
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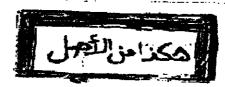
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Operations Abroad: Consortium Bids Are on the Decline

STOCKHOLM — Commercial banks of the five Nordic countries are undergoing a clear change of attitude on the subject of consortium bank participation. Their reappraisal stems from a growing desire to strike out alone in foreign banking transactions rather than to pool resources in

As in the case of most international banks, Nordic banks, as they grow in size and gain in stature, prefer to assume greater control and contribu more profits to the parent company by setting up their own overseas operations. But the trend away from consortium banking is felt more in some international banking centers than in others, where the notion of joint ventures is still regarded as a useful tool in international banking. A case in point is London.

"A restructuring of the consortium idea seems to be something that is happening in London," said Jan Ekman, head of Svenska Handelsbanken's central international division in Stockholm. If the market share of Le Duc de Richard Eurocurrency lending in London is taken as a measure of banking importance, where in 1974 consortium banks represented an 8-percent share, in 1982 they represented 4 percent, a 50-percent drop in market

the favorite see her. Freuna medited Other foreign banks had outstripped the consortium banks' market share by last year, their branches and subsidiaries have increased more rapidly, from 164 in 1974 to 347 in 1982, whereas the number of parent with of Flowering banks holding stakes in London consortium banks has dropped over the to the sme ale same period from 91 to 70. on the amount of bear

Signs of the reappraisal are best illustrated by recent restructurings in two of the oldest London-based Northic joint ventures. In August, Den ्राहाट अरह अंग्रेस व केंद्रे Norske Creditbank, Norway's largest commercial bank, announced it was buying out the other three shareholders in Nordic Bank, which was founded in 1971 and was jointly owned by Copenhagen Handelsbanken of Denmark, Svenska Handelsbanken of Sweden, Kansallis-Osake-A few order good we Pankki of Finland and Norske Creditbank.

Para Amagea E The move followed last year's decision by Svenska Handelsbanken to Place des Vesen Le Res set up its own London operation, Svenska International, as a branch of its Luxembourg subsidiary. Under domestic Swedish banking regulations, Swedish banks acting abroad are not permitted to establish full-fledged branch offices overseas

Just over a week later, in early September, Sweden's Skandinaviska Enskilda Banken was increasing its shareholding in Scandinavian Bank from 37 to 45.7 percent after the decision by the joint venture's two Danish shareholders to withdraw. One of the Danish banks, Den Danske Bank, which held a 143-percent share in Scandinavian Bank, opened its own London branch last year. "Taking this step, I think, is proof that we are not going to break up the consortium," said Curt Olsson, deputy chairman of Skandinaviska Enskilda, which will be the largest single shareholder in Scandinavian Bank.

Bankers with links to the two London-based joint ventures, which since they were set up have grown into the largest of all the Nordic consortium banks to rank among the 20 biggest banks in the Nordic region, said that the London consortium operations remained an integral part of their international business and would continue to do so, even if restructuring

Both London-based consortiums are actively involved in the foreignboth London-based consortiums are actively involved in the foreign-exchange and interbank markets, though the primary task of Scandina-vian Bank is to promote and finance Scandinavian related trade and foreign investment. Northe Bank, which is heavily engaged in money market transactions, was granted permission last year to have its bills, made eligible for discount at the Bank of England. Scandinavian Bank has its own branches in Los Angeles and Bahrain and subsidiaries in

Reasons for the reappraisal are manifold and the degree of emphasis differs according to each bank's foreign needs and expansion plans. Hans Paaschburg, a managing director of Privatbanken, Denmark's oldest commercial bank, related his own bank's experience in the field of consortiums this way: "We, in 1971, went into a consortium bank in London — United International Bank — 10 different shareholders with 10 percent each. Later on, we established our own 100-percent bank in Luxembourg and then simply founded a branch in New York. At about the same time, some of the shareholders, banks backing the United International, wished to leave it and offered their shares for sale. Then we went in and said to the other nine that we wished to take it over, which we

did, renaming it Privatbanken Limited."
Other Danish banks are following Privatbanken's line. Den Danske Bank established its own London branch and is in its first year of operations; Copenhagen Handelsbanken has plans to follow suit and set up its own subsidiary. So, while some banks in the Nordic area prefer to go it alone by setting up branches or subsidiaries, others prefer to use joint ventures they participate in as a springboard to test the water before taking the plunge. Swedish banks, in particular, constrained by domestic banking regulations, will probably bide their time until the rules are relaxed and will then be in a position to break away from consortium banking and establish their own branches.

Others prefer another alternative. Sweden's state-owned bank, PK-Banken, Scandinavia's largest bank, has struck up a partnership with Norway's Christiania Bank og Kreditkasse. In London, the Swedish bank invited Christiania to join its local subsidiary, in Hong Kong the office was converted into a jointly owned deposit-taking company and in Singapore a new merchant bank is in part ownership.

But the consortium venture as a vehicle for international business of

Nortic banking is far from finished. Several smaller banks in the region, as they step up their overseas operations and expand into new areas, still regard joint ventures as the safest and best banking route to service their own international profile. "There are new ones [consortium banks] coming up, because for smaller banks — like ours — the costs of setting up an independent operation in London in terms of capital, manpower and business are such that you can't afford it," said Gustav Mattson,

general manager at the Bank of Helsinki.

The Finnish bank, together with Sweden's Sundsvallsbanken and Norway's Forretningsbanken, joined forces last year with Switzerland's Dow Banking Corporation to take over a London merchant bank, Arbuthnot Latham, one of the capital's oldest clearing houses. The Bank of Helsinki's London affiliate, Dow Scandia Banking, was reorganized into a holding company, in which the Finnish bank has a 16-percent

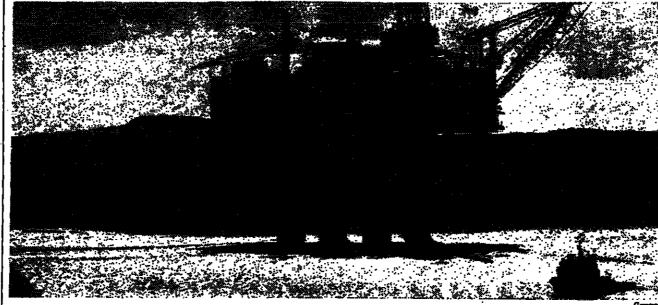
Swedbank and Skopbank, as the Swedish and Finnish national savings banks are known abroad, have been working together for some time and recently amounced the creation of a new consortium bank in London. Fennoscandia Limited, as the new joint venture will be called, will have initial capital of £10 million. "We have decided to press ahead with the project despite moves by other banks to dismantle their consortia," Skopbank said.

Mr. Oisson of Skandinaviska Enskilda also adopted a cartious line despite the massive growth in the bank's international operations in recent years: "To start a bank today, with the very, very thin margins we have in international lending, with the very high risks the banks have to take in order to get a decent spread, and the management problem, I would say that you have to think twice before you break up a very

profitable and successful consortium bank." But Skandinaviska Enskilda Banken, along with its major competitors in Sweden and elsewhere in the Nordic countries, has not shied away from the idea of going it alone when the situation dictated such a necessity. Last year, it set up its own London-based investment banking business, Enskilda Securities. The operation provides a range of services, including corporate finance, international syndicated lending transac-

tions, currency and interest rate swaps and private placements.

The bank also established a subsidiary bank in New York, Skandinaviska Enskilda Banken Corp., the parent company of Skandinaviska Enskilda Banken International, which began operations at the start of 1981. The Swedish bank's usual partners in other overseas operations, Den Danske Bank and Union Bank of Finland, were thereby compelled to link up with PK-Banken and Christiania to establish a competing New York consortium in the form of American Scandinavian Banking Corp. As the Nordic countries' trade links with the rest of the world expand notably in the Far East, so the banks have felt a need to increase their profile in centers such as Hong Kong Singapore and Tokyo. In these centers, the Nordic banks on the whole still prefer to adhere to the consortium principle, as in the examples of PK-Banken's and Christiania's Hong Kong and Singapore ventures. Here too, however, some banks are setting up their own operations, as in the case of Den Danske



Norway's big Statfjord oil platform in the North Sea off Stavanger.

Norway Continues to Set Oil Records

By Bjorn H. Tretvoll OSLO - Norway's oil production in July

exceeded 700,000 barrels a day for the first time, pushing this North Sea producer toward a record year at a time when most other producing nations are faced with falling production and reduced incomes. At the same time new wells have confirmed the existence of one of the world's largest offshore natural gas fields in the Norwegian part of the North

Oil production at levels almost 25 percent above last year's and significant exports of natural gas put Norway in the enviable position of having a sizable surplus in its current account and of being probably the only OECD country where the central government is able to present a budget surplus.

The effect of falling international oil prices has been more than neutralized by higher production and a strong dollar. Export earnings from oil and gas for 1983 are expected to reach a record level of more than 60 billion kroner, or close to \$8.5 billion.

This means that the oil and gas sector is responsible for about a third of Norway's total exports. Close to 20 percent of the central government's income comes from this

While such figures illustrate that the oil activities have grown into an important sector in Norway's economy, they also show that securing a healthy development for other sectors still is of major importance for the total performance of the economy. But as the increased oil income has seeped into the Norwegian economy, perticularly through higher public-sector expenditures, prices and costs have been pushed upward, weakening the competitive position of the traditional Norwegian industries that have to compete with foreign suppliers. These problem industries have in turn been given different forms of government support in order to keep unem-

ployment down. The fear of too rapid a pace of structural change in the Norwegian economy, which could have serious effects in certain areas of the country, has been an important factor in Norway's "go slow" policy for oil develop-

ment. On the other hand, the oil industry and those supplying this industry have argued for a more rapid pace of exploration and produc-

tion, as a means of creating more jobs. So far the political decision to establish a production limit of 90 million tons of oil equivalents a year has not led to any delays in putting new fields into production as fast as technology and economics have permitted. Last year Norway's production of oil and gas reached 48.9 million tons of oil equivalents. Toward the end of the 1980s production could reach about 70 million tons, while it will not approach the 90-million-ton level before the late 1990s.

All present Norwegian oil production comes from fields in the North Sea, which covers only a small part of Norway's continental shelf. Exploration has proved the existence of both oil and natural gas further north, but not yet in commercial quantities. The international oil industry is showing great interest in the areas off Norway's northem coast where large sedimentary basins could yield significant reserves of oil and gas.

As oil exploration activities move further north and into deeper waters, the develop-ment of any finds becomes more costly. The technology required is more complex, and new solutions have to be found. The stakes are high and the risks, both technical and commercial, increase. In such an environment new fields must contain significant reserves in order to warrant the development

In such calculations taxation levels play a very important part. Spokesmen for several foreign oil companies have pointed out that present Norwegian tax rules make development of smaller North Sea fields unattractive and might also render larger fields in deepwater areas uneconomic from a company point of view

The amount of applications to be filed with Norway's Department of Oil and Energy before the Oct. 15 deadline for the new concession round will give some indications as to how the international oil industry view the attractiveness of the Norwegian continental

(Continued on Following Page)



Inside the Ekofisk platform.

Nordic Region Is Rated Highly As Credit Risk

By Michael Metcalfe

COPENHAGEN - At a time when bankers talk of the international debt crisis and the need by several major borrowers in Latin America and Eastern Europe to reschedule their debt, the banking community breathes easily when it turns its eyes on the Nordic countries. There is no fear of Copenhagen, Helsinki, Oslo or Stockholm running behind in their repayments and, although margins may be thinner and in some cases conditions tighter, there is no scarcity of Nordic credits on the market. Nordic countries continue to be extremely creditworthy, some even more so than nations much larger and industrially more potent than themselves. An illustration of this is to be found in the latest survey of

country credit ratings published in the October issue of Euromoney.

Sweden ranks as the most highly rated of the five, in seventh place out of 116 countries, coming just behind Canada and placed before Australia. Norway falls into 13th place, preceded by the Netherlands and followed by Belgium, while Finland is in 16th and Denmark in 17th position. Iceland emerges as 40th, on a par with the United Arab Emirates, ahead

of Turkey and behind Egypt. According to statistics compiled by Morgan Guaranty, Sweden has been the biggest Nordic borrower on both the syndicated Eurocredit and international bond markets this year, raising almost \$2.4 billion equiva-lent in Eurocurrency credits and \$2.3 billion in bond issues during the first half of 1983. The figure represents a major increase from last year, when Sweden borrowed \$649 million in terms of syndicated loans and \$2.7 billion in bonds during the entire year.

Denmark has also increased its borrowing abroad substantially so far this year, raising \$1.6 billion in syndicated loans and \$961 million in bonds. The first-half figures compare with \$789 million and \$1 billion equivalent respectively for the whole of 1982.

In the case of Norway and Finland, their foreign debt is proportionally much lower, though the Norwegians raised a large amount — \$2.1 billion — in Eurocurrency credits last year, dropping to \$336 million in the first six months of 1983. Finland has not taken up any syndicated loans since 1980, concentrating its lending in the international bond markets, which saw Finland raise \$815 million last year and \$560 million in the first half

On the whole, Nordic borrowers are not experiencing much difficulty in raising the amounts they require at the conditions they wish to see. A recent example of fine terms is the domestic sterling credit of the Kingdom of Sweden, which was heavily oversubscribed and which doubled in volume from its original £250 million. Despite the low margin of % percent above money market rates for the first two years, rising to ½ percent for up to a further 10, the credit attracted a large number of banks, including about 50 lead managers.

Denmark, which a year ago had the unsettling experience of seeing New York's Standard and Poor's add it to its "Creditwatch" for evalua-

tion of potentially negative developments, has allayed fears over its ability to manage its indebtedness and still commands good terms for its foreign borrowing. "There is now much more room for optimism in the economy and, as the balance of payments current-account deficit nar-rows and our trade account swings back into surplus, so our foreign borrowing will decline." Finance Minister Henning Christophersen said. But problem areas remain. Since the start of the decade, Sweden and Denmark have increased the pace of their foreign borrowing to cover the needs of costly welfare states and widening current-account deficits. The countries more than doubled over the last five years, in Sweden's case to nearly 30 percent and in that of Denmark to more than 33 percent. Nei interest payments abroad have continued their steep upward trend due to the rapidly rising foreign debt, higher interest rates on international capital markets and the strengthening exchange rate of the dollar. Rising amortization payments reflect the fact that both countries accumulated

large amounts of short-term debt in the 1970s, which are now expiring. However, there are signs that the steep increase in net foreign debt as a percentage of GDP appears to be flattening out. Restrictive budgetary policies in Copenhagen and Stockholm, a deceleration in the growth patterns of public-sector expenditure, and a narrowing of current-account deficits, all point to a slowdown in the rate of borrowing on international capital markets.

Danish government officials believe that the current-account deficit (Continued on Following Page)

Social Democrats' Radical Investment Plan Could Alter Swedish Industry

poised to introduce a radical investment plan that could decide the future of private ownership in Swed-

Plans are under way to set up initially five collec-

tively owned investment funds to buy into Swedish panies next year. Eventually, critics in the opposition party said, the so-called wage-earner funds could wrest control of companies away from private hands and establish new forms of public ownership. Lars Nabseth, chairman of the Federation of Swed-

ish Industries, said: "If wage-earner funds are brought in, it will mean the transformation of the Swedish social system since privately owned business enterprises will be taken over. We reject this change. In a bid to overcome some of the opposition and

arrive at a degree of political consensus on the controversial issue, Prime Minister Olof Palme invited both sides of industry and the political parties to take part in talks on the matter this month but the meeting was econclusive. "Unfortunately, the organizations of in-

STOCKHOLM — Despite opposition from industry and banking and a general unwillingness among the public, Sweden's Social Democratic government is union executive. The Meidner Plan, as it came to be known, called for a nationwide establishment of funds, financed by all privately owned firms above a

> These companies would give 20 percent of their profits to a wage-earner collective. The transfer of these profits would be accomplished through the issue of new shares by the companies to a central fund controlled by the country's trade unions. The Social Democrats, during their time in opposition, adopted in 1981 a proposal advocated by the trade unions, allowing the party's national executive to go ahead with the plan. A modified version of this plan was announced by the Social Democratic government earlier this year and entails a new tax of up to 20 percent on net company profits and an increase in the employ-

These sources of income would create investment capital that would be channeled into each of the five regionally based funds. A government working group, dustry, the employers, have declined to participate in those talks," said Michael Sohlman, deputy undersection retary at the Finance Ministry.

The debate on the funds, which has been going on since 1975, has changed direction many times, not least because of the many revisions put forward by the Trade Union Confederation, known as LO, and the about 200 billion known - share analysts estimated said Swedish industry required increased profitability Social Democratic Party. Initial proposals for the that the funds could buy up to 7 percent of the and not more capital, rejecting the notion of collective

The relative size of the funds, which would be able to buy shares in any publicly quoted company on the Stockholm bourse, would make them a formidable investor in the Swedish stock market. At a later stage, veden's 24 local authorities would each have such a fund, to be administered by elected committees made up of trade union officials, representatives of local government and politicians, although a formula for the election of these committees has yet to be drawn up. A form of universal suffrage might elect the committee members, once the transitional phase is

over, government officials said. Critics of the funds plan, which has yet to be passed by the Riksdag, argued that the funds, if implemented, would have disastrous repercussions for the stock market and an economy with a large budget deficit and external debt. "The institutional nature of the funds, with centralized decision-making and lack of a profit motive, will make them inefficient, with built-in caution preventing them from becoming a source of venture capital, which is precisely what Swedish in-

ownership with the argument that employees will not be able to draw any direct benefit from the funds. "It would be fateful for Swedish industry to have a dominating shareholder with completely alien objectives, other values and a wholly opposed view about

decision-making than what is needed if business enterprises are to survive against fierce international competition," said Sven Agrup, managing director of AGA, a Swedish engineering firm.

But the government has other ideas. Insisting that different viewpoints would be taken into account by the administration, following the talks proposed by Prime Minister Palme, the finance minister, Kjell-Olof Feldt, nevertheless said: "Wage-earner funds will come into being next year, that is the government's stated objective.

One Swedish company is not going to wait for the funds to be introduced. Datatronic, a leading mannfacturer of computer programs, announced last month that it would be moving its main operations to the United States to protest the new tax to finance the funds. Whether this initiative will be followed by others, thereby prompting a flight of capital from Sweden, remains an open question, Several companies take the view that the funds' influence on corporate policy will be held in check by the working group's recommendation that the aggregate holding of shares by the funds in any one company should not exceed 49 percent, thereby stopping short of majority control.

- MICHAEL METCALFE

Foreign Bank Branches: The Focus Is Shifting to Sweden and Norway

ing circles that shows little sign of cooling in the seeable future. The willingness of Denmark and, more recently, Finland to allow foreign banks in has foreign banks as soon as possible.

In Norway, a government-appointed commission recently ruled in favor of foreign banks' establishing subsidiaries subject to strict conditions and rules applying to domestic banks. The government seems likely to approve the recommendations soon.

Sweden's central bank governor, Bengt Dennis, said: "The government has decided to study the whole question of the institutional structure of the credit market in Sweden, including the advisability or feasi-bility of setting up foreign banks in Sweden, so it's an open issue." A committee appointed by the Social Bank, which last year opened a branch in Singapore.

— MICHAEL METCALFE

tuted and has up to two years to report its findings. Democratic administration has yet to be fully consti-

HELSINKI — The subject of foreign banks' presence — or lack of it — in the Nordic countries has stirred heated debtet in official and commercial banks stirred heated debtet above little size of cooling in the lack of the probability of the state of the probability of the state of cooling in the lack of the probability of the state of the probability o revenues, respectively, appear to warrant entry of l'Indochine et de Suez of France. Citihank was the the foreign-exchange trading sector. first to obtain a license and has the longest experience

rily, because to start with. Finland certainly is not an business, but it is also true that there have been cuts in Eldorado for foreign banking owing to the very con- the commissions for bank guarantees, for letters of trolled nature of the domestic money market; and the other problem for foreign banks is that the corporate Mattson, general manager of domestic Finnish bankmature of their business is ill-fitting to the tailor-made ing at Bank of Helsinki. suit of universal banking in the domestic capital mardirector of Citibank's Helsinki subsidiary.

In practice, this means that any balance-sheet lending in foreign syndication lending and credits where there ing in markkaa that a foreign bank subsidiary would is no Finnish beneficiary. But the lack of a deposit make in Helsinki would have a negative interest base such as in the retail banking activities of the

lems and advantages of foreign banks intent on operating in the Nordic countries. Three banks have been allowed to establish subsidiaries, but not branch of benefits and sophistication of their parents' internashifted the focus to Sweden and Norway, where the fices, in Helsinki. They are Citibank and Chase Man-tional services and trading. In this area they have been advantages of a large industrial base and North Sea cal hattan of the United States, and the Banque de successful, while also belong to spur competition in

"We have seen over the past year or so, since foreign banks started in this market, a tremendous cut in "I would say business has developed very satisfacto- margins, especially in foreign exchange and customer

The presence of foreign banks in Finland may also ket," said Kari Mannola, vice president and managing have helped to pave the way for the central bank's decision last year to allow Finnish bank participation

liquidity for use in such areas as the short-term money market, has stunted the growth of the foreign banks.

The twin-edged competitive blade — the wholesale foreign subsidiary bank with the corporate strength of its parent versus the retail domestic bank with its large deposit base — has also been acutely felt by foreign banks in Denmark. Copenhagen was the first Nordic capital to open its doors to banks from abroad, soon after Denmark joined the EEC in 1973. In less than two years, banks such as Bank of America, Chase Manhattan and Standard Chartered were enjoying the privileges and perks of either a full branch bank status or that of a subsidiary.

"American banks and British banks and others have mostly come, first and foremost, to help American daughter companies, American branches; and then, of course, many big Danish companies have had a connection to foreign banks," said Hans Paaschburg, managing director of Privatbanken, who is also chairman of the Danish Bankers' Association. None of the foreign banks has gone into retail business. "It is very

(Continued on Following Page)

NORDIC BANKING AND FINANCE

Margins Thinner, **Credit Risk Good**

(Continued from Preceding Page)

will be about halved in 1984 to a little less than \$1.2 billion, or 2 percent of GDP, contributing factors being an expected improvement in the terms of trade, a significant reduction in the energy bill and a reduced debt-

Stockholm officials project the current-account deficit to be reduced from about 3.7 percent of GDP in 1982 to around 1 percent of GDP in 1984, though the debt-servicing burden will probably continue to remain relatively heavy. The officials noted that the 16-percent devaluation of the Swedish krona last October and the strengthening dollar added additional burdens to servicing the foreign debt.

Of the four major Nordic countries, Norway and Finland have fewer problems than their neighbors on the international borrowing markets. In the case of Norway, the benefits of North Sea oil have helped to keep its balance-of-payments current account in modest surplus recently, though a shift into slight deficit is forecast for this year and next, in the order of about 1 percent or less than GDP.

The Norwegian authorities prepared the ground for this eventuality and the effects of last autumn's devaluation on the debt burden - by heavier borrowing in 1982 than in previous years.

Finland has succeeded in keeping a low borrowing profile on international markets over the last few years, limiting its debt to fixed-interest credits and bonds. Its net foreign debt in relation to GDP grew steadily until 1977, when it peaked at 21 percent, and thereafter it declined to about 14 percent in 1981.

Debt officials in Helsinki explained that the devaluations of last October increased the market value of the debt, raising the ratio to 17 percent. However, debt service charges have been stable during the 1970s and early 1980s and have remained at about 10 percent of current-

Finland will raise less than \$1 billion equivalent on international markets this year, it is estimated, though the amount may increase somewhat next year, if the current-account deficit widens slightly, as is anticipated by the government.

NORDIC FOREIGN BORROWING (In millions of dollars)

1980	1981	1982	1983 (Jan June)	d
 			•	0

EUROCURRENCY CREDITS

Denmark Finland Norway Sweden BONDS	1,720 1,040 685 1,370	1,661 n.a.* 713 1,867	789 n.a. 2,069 649	1,586 n.g. 336 2,350
Denmark	1,125	695	1,019	961
Finland	392	672		560

Source: Morgan Guaranty

Bankers warned of retail challenge

"Events in the markets can create the

need for a new kind of facility which

only advanced computing

-technology can make possible"

"Natwest to offer cheque account

3,244 2,050 2,729 2,283

with interest"



Ancient resource: fishing in the Norwegian waters of the North Sea.

Norway: Groping Toward Recovery in the Non-Oil Sector

By Trond Boerrehaug Hansen

OSLO - Ten years after international recession halted a period of unparalleled growth, the Norwegian economy is still groping toward recovery. For much of the second half of the 1970s, it lived on borrowed time as the government, using future oil revenues as security, raised massive loans abroad to stave off the worst effects of the recession. But during the last few years, the country has come face to face with its problems and there are signs that some of them are being solved.

The latest OECD forecasts are not unduly optimistic. In July, the organization said Norway's gross national product was likely to grow by a mere 0.25 percent this year, rising to 1 percent in 1984, and that prices would rise by 8.5 percent this year, compared to 12 percent in 1982 and an expected 7 percent in 1984.

Rolf Presthus, Finance Minister in the Conservative-led center-right coalition government, said these forecasts were too pessimistic. He believes that the "traditional" — that is, non-oil — sector of the Norwegian economy will become considerably more competitive in international markets than the OECD assumes.

Moderate pay settlements in the private sector have led the government to predict that industry will become more than 2 percent more competitive this year, whereas the OECD forecasts a more or less uncha situation, Mr. Presthus said. Making non-oil industry more competitive is one of the aims embraced by most political parties in Norway, where a large degree of consensus still persits in economic policy. Another objective is a return to near-full employment, as was the situation until a

At present, unemployment stands at 68,000, or 4.1 percent, of the labor force. In many Western countries, this would be considered a fairly happy state of affairs, but Norwegian politicians regard it as very serious. The psychological impact of the figure is perhaps better understood when it is

Financial Times, May 1983

Financial Times, May 1983

The Banker, May 1983

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over the course of a year. If, however, most Norwegian politicians agree on the general aims of

economic policy, there is considerable disagreement as to how to achieve these aims. The "counter-depression" policy of raising large loans on future oil revenues to subsidize non-oil industry and retain jobs had been abandoned before the Conservatives ousted the Social Democratic Labor Party from government in 1981. But Labor, in opposition, still clamors for a policy that will secure employment through higher public-sector spending and increased subsidies to particularly weakened industries, such as shipbuilding.

The Conservatives and their coalition parties, though disagreeing among themselves on certain particular questions, are resolved that the main problems facing industry are production costs and outmoded

"A combination of high wages and low productivity has made our products too expensive to be competitive," said Arnulf Ingebrigtsen, undersecretary of state for industry. "The other main problem is a structural one. Much of our industrial structure is obsolete, which means that we do not produce goods that benefit from today's strongest market

The government is pledged to reduce inflation through austerity measures that include reduced public-sector spending and reducing pay increases to the lowest possible level. To offset this, it has promised tax cuts that it hopes will lead to increased productivity and improved

realized that it represents a 60-percent growth in the number of jobless industrial performance. This, however, is a policy that many Norwegians remain reductant to accept, as was shown by the poor results for the government parties in recent local elections.

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But despite all the problems facing the Norwegian economy, there are bright spots. By 1984, for instance, oil revenues will have enabled Norway to pay off its entire foreign debt. Lower oil prices, while producing fresh: problems, have also led to increased activity in making non-oil industries more competitive through research and development and the utilization of new technologies. And the trade union movement, acknowledging its share of the responsibility for reducing unemployment, has given guarded romises for cooperation in reaching moderate pay settlements.

Nevertheless, the problems remain formidable. The country's geography itself, with a thin and scattered population, produces its own difficulties. And Norway's economic fate remains closely linked to that of other Western countries and, particularly, its neighbors—as was indicated by the government's anger at the 16-percent devaluation of the Swedish krona by the Social Democrats last October, which affected Norwaging groups to Swedish heavily. Norwegian exports to Sweden heavily.

This, too, is why many Norwegians are skeptical about optimistic tatements about economic recovery by government spokesmen. This skepticism was mirrored by a recent cartoon in one of the Oslo dailies parodying Finance Minister Presthus at the helm of a storm-tossed Viking ship, pointing toward a distant landfall and exclaiming: "I swear that this time it's Nesoddtangen [near Oslo] and not America."



The control room of the Ekofisk platform.

Norway Continues to Set Oil Records

conditions that provide an ade-quate rate of return to the compa-field, named after giant creatures in will become rather expensive.

Troll — and the gas produced — be available at prices that make it competitive with alternative forms.

(Continued from Preceding Page) An example of this is the recent recoverable reserves approaching 2 with another major challenge. How shelf. Some oil company executives agreement between the Norwegian trillion cubic meters of gas, the to find markets for all its gas at emphasize, however, that although government and Phillips Petroleum field could become an important prices that warrant the developthey do feel today's tax burden is too heavy they will still apply for new concessions, anticipating that Norwegian authorities in the future of the secure as \$2-bill source of natural gas for Western the development of the middle of the from the Ekofisk field, Norway's 1990s. But as the field is in an area of the prospective buyers on the Continent and running retroited in the development of the middle of the from the Ekofisk field, Norway's 1990s. But as the field is in an area of the prospective buyers on the Continent and running retroited in the development of the middle of the from the Ekofisk field, Norway's 1990s. But as the field is in an area of the development of expensive fields like Troil and possibly others further North. The prospective buyers on the Continent and running retroited in the development of expensive fields like Troil and possibly others further North. with water depths of around 350 tinent and in Britain are showing will adjust tax levels in order to

The major technological chalmeters and some distance from the great interest in securing new suphave new fields developed under lenges over the coming years are main markets, the development of plies of Norwegian gas, but it has to

This situation presents Norway of energy in the final markets.

Although a solution to the gas .. marketing situation will be of great ... importance for Norway's petro-leum activities in the coming years, increased oil production from proven and probable fields will also provide important income to the Norwegian government coffers un-til well into the next century unless there is a dramatic collapse in the a world oil market. If, in addition, as most analysts assume, new Norwe-gian gas finds a market in Western. Europe, the country could very well continue accumulating large surpluses both in its current account m and in the government budget. The domestic debate as to how such money should be spent is sure to go

In the past two years the change of pace in the financial industry has been awesome: mortgages from banks, current accounts with building societies. The whole banking structure has altered dramatically to keep pace with customer demand for more flexible financial packages and aggressive marketing from other financial institutions.

It is generally agreed that the key to the required flexibility is technology. The banks with the technological edge will have the competitive edge. The key to survival is in the bank's ability to offer cost effective, innovative services. To do this, the bank must have computer systems which support rapid change, impose no restrictions on marketing and efficiently handle a widely variable workload.

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nies for their investments and risks. Norwegian fairy tales. With total

(Continued from Preceding Page)

expensive and difficult to establish a new branch

system," he added. Moreover, to many of the commer-

are in a position to expand their lending more rapidly

than average.

The foreign branches, with their lack of a domestic

deposit base, are unable to do this and generally view

the credit guidelines as discriminatory. From this

point of view, one of the foreign banks, Crtibank, is

contemplating entering the Danish retail business.

If both Denmark and Finland, who have allowed

sented here in 15 offices," Curt Olsson, deputy chair-man of Skandinaviska Enskilda Banken, said. "You

will find that very many of these are very fully staffed

and we don't see very much of a difference between

"We have the competition in the markets as well and they know that," Skandinaviska Enskilda's execu-tive vice president, Per Ake Harrison, said.

reciprocity. If Nordic banks, either in the form of

lish representations in Stockholm.

Foreign Banks Are Making Inroads consortiums or by themselves, are actively engaged in setting up profitable and expanding operations in the foreigness' domestic base, then neither the Swedish

cial Danish banks' big corporate clients, the foreign keep their doors shut. affiliates are secondary banks. "In that way, we com-pete with them, of course," Mr. Paaschburg noted. "It is a bit of an embarrassing situation to be the only ones, soon the only one together with Portugal, in In terms of the domestic capital market, the aboli-Europe, because the Norwegians are apparently going to do it," said Jan Ekman, head of the international division at Svenska Handelsbanken. In Mr. Ekman's tion of the ceiling on credit expansion pertaining to each commercial and savings bank, and the imposition of general lending guidelines by the central bank, has led to greater competition among domestic and for-eign banks. Under the guidelines, banks attracting estimation, the new Social Democratic government's decision to form a committee to look into the subject is more deposits but not those from the money market "postponing the inevitable."

Mr. Olsson agreed: "In my opinion, I think it's shared by most bankers in Sweden, we can't claim free trade for anything but for banking. In that respec have to accept that foreign banks come in with their branches or at least with their subsidiaries." Swedish bankers, however, stress that foreign banks

operating in Sweden must abide by the same strict also interested, but with new Soviet If both Denmark and Finland, who have allowed foreign banks in, are feeling a competitive bite in corporate business and foreign-exchange trading, then so are bankers in Sweden, where foreign banks' presence is limited to representative offices. "We have a very tough competition from the foreign banks represented bers in 15 offices." Our Olsson deputy chair, that foreign banks, once they are allowed to extrablish that foreign banks, once they are allowed to extrablish that foreign banks, once they are allowed to extrablish.

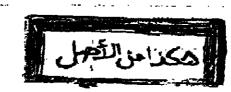
that foreign banks, once they are allowed to establish themselves in Stockholm, will not be allowed to hold branch status but will have their activities confined to subsidiaries. The same feeling prevails in Norway. "In what they are doing here as a representative office and as a bank."

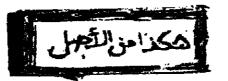
the view of the commission, any such establishments ought to be in the form of subsidiaries," the Norwegian central bank wrote in a recent summary on the Oslo banking commission's findings.

national companies, such as Volvo and Electrolax, have provided attractive targets for foreign banks, about the number of foreign banks while the accelerated nace of the binederal. while the accelerated pace of the kingdom's foreign the feeling among Norwegian commercial bankers is borrowing in recent years has spurred banks to estab-The same opinion holds among Stockholm bankers in Another powerful argument in favor of foreign the Swedish case. "We can't have the market explode; banks being authorized to set up branches or subsidethere are only 12 banks in Sweden today and you can't lary offices in Stockholm or Oslo is the notion of double that number overnight," Mr. Olsson said. - MICHAEL METCALFE

A major competitor for Norwe-gian gas will be increased exports of natural gas from the Soviet Union, which has huge reserves. After the political upheavals fol-lowing the latest deal bringing So-viet gas to West Eveners viet gas to West Europe, supplies, from Norway were put forward as an alternative. Commercial considnor the Norwegian banking authorities can reasonably erations could also lead the buyers to increase Norwegian purchases as a means of diversifying their sources of supplies. The question remaining is what price they are willing to pay, or how much more will Norwegian gas be worth than increased imports from the Soviet

Negotiations now going on for the sale of the gas from Norway's ; Sleipner field could give a hint as to what can happen. The British Gas Corporation wants the Sleipner gas to fill the supply gap envisaged for the 1990s. Continental buyers are gas coming on stream soon and with gas consumption showing a decline, they appear to be less keen than the BGC in securing new sup-





NORDIC BANKING AND FINANCE

Swedish Economy Moving Toward Recovery, but Doubts Remain

STOCKHOLM — After less than 12 months in office, the Social Michael Sohlman, deputy undersecretary at the Finance Ministry, said. the way toward restoring the economy.

A 16-percent devaluation of the Swedish krona last October has nudged industry into improved competitiveness. Exports are booming, corporate profitability is set to reach record levels and the export-led recovery has inflated the buoyant mood of the Stockholm bourse.

But nagging doubts remain. Unemployment has continued to edge upward, reaching 3.5 percent this year; industrial investment is still at depressed levels, and the budget and current account balance of payments deficits, exacerbated by a rising external debt, show few signs of narrowing. Moreover, inflation could be fueled, firstly, by the effects of the krona devaluation boosting import costs and, secondly, by higher

wage demands when next year's round of labor negotiations begin.

The government said in its revised budget for this year that the measures undertaken to date represent a first phase in its policy for steering the economy back on course, A necessary condition for the success of the new policy is that the high rate of inflation that has prevailed in Sweden for a decade is now broken," the government said. Unless the 10-percent annual rate of inflation is reduced, the positive effects of the devaluation will have been eliminated in a couple of years. "The important thing is to get inflation down after such a measure,"

Democratic government of Sweden's Olof Palme appears to be well on Several leading economists were forecasting inflation of 15 percent this ear, the government's own projection was for 11.5 percent, and the latest gest an increase closer to less than 9 percent, helped in part by the fall in international and domestic interest rates, he said.

. Restrictive budget policies play an important role in the government's strategy to keep inflation down and reap the benefits of the devaluation.

The administration will present a series of fiscal and budgetary measures this autumn involving some withdrawal of business liquidity and, economists said, this would probably include the abolition or reduction of the current 20-percent tax rebate on tax-sheltered mutual funds, or so-called share-saving funds. The funds have proved a boon to investors on the Stockholm stock exchange, but it is felt that the current strength of the exchange would suffice to ride out the impact such a move would have ou

Moreover, the government will probably dispense with or, at least, limit widespread automatic indexation in several sectors of the economy. This practice is to be found in a number of areas: in a large variety of appropriations on public budgets, in agricultural price controls, in wage settlements and in pricing in many parts of the business sector. "The aim of this de-indexing is to break inflationary expectation," Mr. Sohlman

kronor for the whole of 1983. This compares with the government's assessment of a balanced trade account. The picture is clearly better than we anticipated as late as the Revised Budget Bill of last April," Mr. Two major obstacles on the path to full economic recovery remain. The budget deficit for this year is estimated at 92 billion kronor, which in real

terms is little changed from last year's figure. Public expenditure contin-

the decision made in August by the Trade Union Confederation to

dispense with centralized wage negotiations for blue-collar workers on

tradition practiced for more than 40 years and which became known as

the Swedish Model - synonymous with harmonious labor and industrial

relations — could have serious repercussions on the government's objec-

On the plus side, Sweden's leading exporters have helped to boost the trade surplus in the first seven months of this year to more than 10 billion

kronor from 4.6 billion kronor in the comparable 1982 period. In volume

Allowing for seasonal factors, which would have a negative impact on

the trade balance in the latter stages of the year, independent economists forecast that Sweden will still record a surplus in the region of 5 billion

terms, exports were up about 10 percent and imports 3 percent.

tive to keep wages down and control inflation.

private Swedish labor market next year. The move, which upsets a

One new development that may upset the government's calculations is ues to exert a heavy drain on the government's resources, with the present administration reductant to prune the welfare state that has made Sweden the envy of the world.

Part of the deficit problem is the huge national debt, forecast for this year at more than 55 billion kronor. If this growth trend persists, the government expects that the corresponding figure for 1987 would amount to about 90 billion kronor, or 75 percent of the budget deficit in that year. The debt burden is compounded by heavy interest. A government survey showed that the book value of the national debt rose dramatically in the late 1970s and early 1980s. As a share of the gross domestic product it has risen from slightly more than 20 percent at the start of the 1970s to about 61 percent at the end of 1982.

If this trend persists and, in spite of the export boom, public and private expenditure is not brought down to more manageable levels, private expenditure is not brought above to more manager several economists predict that the current-account deficit, currently projected at 18.8 billion kronor for 1983, will continue to widen, mainly due to the cost of servicing Sweden's foreign debt, interest on which rose substantially as a result of the devalued krona in relation to major lending . currencies, such as the dollar and the Deutsche mark, prompting specula tion of a possible revaluation of the krona early next year.

Finland Sustains Steady Growth

population of only 4.8 million, has turned in a creditable record of financial and industrial achievement at a time of international reces-

"Finland has been able to sustain quite a strong growth, even through 1982, despite the fact that the OECD countries had a negative growth," said Pertti Sorsa, head of the Finance Ministry's Economic

Oil Sector

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After high growth in 1979 and 1980, the Finnish economy slowed But economic activity had begun to pick up again as early as the latter half of last year. The Organization for Economic Cooperation and Development estimated that Finland's gross domestic product rose 1.3 percent in 1982.

The weakness of the country's export markets was to some extent counteracted by a growth in domestic demand, resulting from a relatively expansive monetary and fiscal policy since 1981. "I think Finland has been the only country in Western Europe to have had room to maneuver in fiscal policies, because the state debt is still quite low," said Mr. Sorsa.

In order to maintain the international competitiveness of Finnish industry, the markka was devalued in two stages by a total of 9.6 percent against a basket of currencies last October. The realignment, brought on in part by Sweden's 16-percent currency devaluation, halted the deceleration of inflation. In April 1983, consumer prices were rising at a year-on-year rate of 8.1 percent, which is close to the European average. Monetary policy has been gradually tightened during 1983 in order to curb inflationary pressures, said Finland's

central bank governor, Rolf Kullberg.
Reflecting OECD market weakness, a turnaround in imports and increased foreign debt servicing, Finland's current account deficit rose to 2 percent of GDP last year, or about 4.5 billion markkaa, and is expected to be about 2.5 percent this year. One of the main priorities of the Social Democratic-led coalition government of Kalevi Sorsa will be to curb the widening deficit. "It has started to worry us somewhat," said Pertti Sorsa, who is the prime minister's brother.

Next year's budget, details of which were being worked on by the coalition partners this month, September will reflect moves to control inflation and the current account shortfall, including a general tightening up in fiscal policies, government expenditure growth and

The government efforts to helster domestic demand have weakened state finances, but by international standards public debt is still modest. Gross government debt at the end of 1982 was close to 13 percent of GDP. The net financing requirement of the central governnd 2 percent of GDP duri

Last year the state's gross borrowing amounted to \$1.5 billion, of which slightly more than half was taken up abroad. The OECD reported: "A moderately stimulative stance of fiscal policy, together with the operation of automatic stabilizers, has resulted in the general government sector becoming a net borrower in 1982, for the first time

This year the borrowing requirement has increased slightly, partly because of the economic policies in force, and amounts to about \$1.9 billion, of which slightly less than half will be raised on international markets. The government expects the state's borrowing requirement to remain at this level next year.

Slow growth in the industrial sectors brought with it a deterioration in employment, though growth in services compensated to some extent for job losses in manufacturing and construction. The unemployment rate was about 6 percent in 1982 and is expected to be about

The government predicts that the current modest recovery will continue throughout 1984 aided by buoyant, though slowing public expenditure growth. Growth in private consumption is expected to slow this year as the rate of disposable income growth decelerates. Business confidence has showed some signs of gaining strength, as the effects of the devaluation began to bite.

Merchandise exports to OECD member countries are expected to

grow relatively fast, with some gain in market shares projected. But total exports will likely suffer from reduced Soviet demand owing to the decime in only prices and the large Finnish surplus on the [Soviet-Finnish] bilateral clearing account.

The main agreements concluded with workers this year are expected to raise wages by about 5.5 percent. Taking account of wage drift and carryover from earlier agreements, average wages may rise 9 to 10 percent this year and next. One foreseeable problem for the government, once it puts its fighter fiscal and monetary policy into effect, will be higher wage claims by trade unions seeking to benefit from the improved corporate profits resulting from the devaluation.

- MICHAEL METCALFE

Record Prices and Turnover Boost Stock Market Investment

kets of the Nordic countries, until as generating more than 3.5 billion recently confined to the backwaters of international capital, have in the last three years joined the ranks of tion as a source for risk capital," the world's leading exchanges. The said Erik Asbrink, an undersecre-Nordic countries are experiencing an unprecedented surge in investor activity, with turnover and prices at

The pace of trading shows few signs of relenting. The Stockholm stock exchange, where growth has been the strongest, has seen share values grow by 57 percent in the first seven months of 1983, surpassing the 35 percent for all of 1982. Bengt Gronqvist, the president of the exchange, said that if turnover continued at this speed one one could expect a turnover of 90 billion kronor this year, rivaling and perhaps outpacing — that of the Amsterdam, Hong Kong and

According to analysts, developments on the Stockholm, Oslo and Copenhagen markets in the early part of this year have put these at the top of the world's exchange

The total share index of the Oslo exchange rose by 55 percent in the first five months, while the comparative increase was 48 percent in Stockholm and 45 percent in Co-

The factors behind the surge are numerous and often different in each case.

Lars Bredin, vice president of the Stockholm exchange, attributed the exchange's boom to the introduction in 1978 of tax-sheltered mutual funds.

The so-called share-saving funds attracted the general public bev carried a 30-p to 20 percent by the Palme govern-

were expected to put about 200 nillion kronor of fresh capital into the exchange each month.

Another factor in the Stockholm success story is the sharp increase in interest from abroad. Large private and institutional

investors in the United States, Britain and Switzerland have injected the equivalent of 5 billion kronor of funds into the market so far this year, compared with 3.8 billion kronor for the whole of 1982. "Forlevel with share-saving funds; this is of large psychological impor-tance to the bourse and influences even Swedish buying interest," said Bjorn Karlin of the Swedish Sharebolders' Association.

Foreign investor interest was spurred by the government's 16percent krona devaluation last Octoher, which is boosting corporate profitability and helping to make Swedish company shares more attractive than their counterparts on the London or New York markets. The improved economic outlook and profitability have encouraged more than 20 new Swedish firms to

kronor in new share issues. "The bourse has finally begun to func-

tary at the Finance Ministry. Moreover, an increasing number of Swedish corporations have taken advantage of a steady liberalization in restrictions on the sale and issue of shares to foreigners to boost cross-border capital formation. In the second quarter of this year alone, five Swedish corporations including such brand names as Volvo and Ericsson — raised the equivalent of 2.8 billion kronor in rights issues in London and New York. All sought and obtained persistes to sell configuration to sell configuration to sell configuration to sell configuration. On the same state issues with pievan, he said. Improved economic configuration of the stable Danish kronor in Other analysts were more phleg-only to sell configuration. Of the other Nordic exchanges, the stable Danish kronor in Other analysts were more phleg-only to sell configuration. Of the other Nordic exchanges, the stable Danish kronor in original state issues with pievan, he said. Improved economic configuration of the stable Danish kronor in original state issues with pievan, he said. Improved economic configuration of the stable Danish kronor in original state issues in London and New already discounted the plan and obtained by a Conservation of the stable Danish kronor in original state issues in London and New already discounted the plan and obtained by a Conservation of the stable Danish kronor in original state issues in London and New already discounted the plan and obtained personal state issues with pievan, he said.

that the trend of Swedish multina- the Stockholm stock exchange," tivity. There are plans to introduce tionals going abroad to raise funds said Göran Pierre, an investment a new exchange for small and medito expand their overseas operations adviser at the state-owned PK-Ban- um companies of the risk-capital would continue, with a new wave of ken, Sweden's state-owned bank. variety, to run concurrently with

come a reality in 1984.

Brokers in Stockholm expect will be particularly important for interest rates to spur industrial ac-Swedish corporate share issues on The government is expected to de-foreign markets predicted for this cide whether the tax incentives for companies are listed. autumn. The run could turn into a share-saving funds will remain in

The Copenhagen exchange is bestampede, several analysts said, if force beyond 1983, whether the ginning to spark more investor ingovernment plans to introduce the number of new firms seeking a terest than in previous years, when so-called "wage-earner funds" - listing will continue to swell and it was dwarfed by the bond market, collectively controlled regional whether the existing demand for as a greater number of Danish funds to buy into industry - be- fresh capital raised through new firms seek share listings and the

the "switch" requirement that the other institutional investors were duced its own version of the Swed- alization of existing restrictions on equal amount of Swedish shares be buying shares on an ordered and ish share-saving plan, reduced tax-the individual Dane's access to forbrought back into Sweden.

Swedish shares be buying shares on an ordered and ish share-saving plan, reduced tax-the individual Dane's access to forbrought back into Sweden.

The Copenhagen exchange is beshare issues will prevail, he said. improved economic climate and Of the other Nordic exchanges, the stable Danish krone increase

Egon Jensen, head of Copenhamission to sell specified number of equating the funds with the shareshares abroad without recourse to saving variety. They also said that taking office in 1981 has introvestment division, sees future liber-

companies going to the Copenha-gen market to issue equity capital as a major factor in promoting the market. "These restrictions are still in force but we have some reason to believe that the central bank is going to liberalize these areas,"

The Helsinki exchange, while much smaller than its Nordic counterparts, has also experienced something of a mini-boom, spurred by last October's devaluation of the markka and signs of an improvement in export competitiveness. Turnover reached a record 2.7 bilhon markkaa last year, while prices surged by more than 40 percent.

- MICHAEL METCALFE

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Optimism on the Danish Economy

By Christopher Follett

Although some of this hope can be attributed to international economic developments, the austerity policies of the year-old center-right coalition of Prime Minister Poul Schlüter have undoubtedly contributed to a dramatic improvement in the economic outlook. Faced with a net foreign debt of 125 billion kroner,

a public sector running a deficit the equivalent of more than 9 percent of the gross national product, growing shortfalls in the budget and balance of payments, rising interest rates and sagging industrial investment. Mr. Schlüter's government last autumn imposed stim-A gent economic measures.

The package included an immediate wage freeze and the suspension of antomatic index-linked pay , increases, which had been sacrosanct, as well as cuts of 18 billion kroner in public expenditure, social welfare, and unemployment and sickness benefits. Moreover, measures were designed to increase Danish productivity and export competitiveness and bolster a flagging

The move was effective, producing three cuts in the

discount rate over a six-month period, from a high of 11 percent to 7.5 percent, the lowest since 1975.

The corresponding cuts in the commercial lending rates helped to stabilize the krone — the only Scandinavian currency not to be devalued last autumn - and to realign it last spring within the European Monetary System, of which Denmark is the sole Nordic member.

Bond prices and the shares market made a brisk recovery, and the trade-weighted value of the Irone has risen appreciably since 1982. Moreover, hopes for an economic revival were raised earlier this year by a two-year wage agreement among trade unions in the public and private sectors granting an annual increase of 4 percent, the limit set by the government.

ance of payments deficit dropping next year to its lowest level in six years, below 10 billion kroner, ance-of-payments denor dropping next year to use COPENHAGEN — Danes may not exactly be lowest level in six years, below 10 billion kroner, shouting about it, but at last there is a feeling of against a shortfall last year of 18.7 billion kroner and an expected deficit of 13.5 billion kroner this year.

This was attributed largely to falling oil imports and increased Danish activity in North Sea oil and gas exploitation. Inflation is also forecast to drop from a rate of 10 percent in 1982 to 6 percent this year and to 5.5 percent by 1984, reducing the rate to a single-digit figure for the first time since the oil crisis of 1973-1974.

On the darker side, unemployment, at a record 10. percent, is expected to reach 11.5 percent in 1984, with little immediate improvement in Denmark's export competitiveness and with Danish industrial output increasing by only 2 percent annually over the next

Analysts expect these factors to postpone major recovery until 1985 at the earliest.

Nevertheless, optimism is noticeable in industry, where export orders reflect an upward trend and the latest investment surveys show marked improvements for the first time in several years.

Determined to continue its tight economic policies and to regain for Denmark the top rating on international credit markets that it lost at the beginning of this year, the government unveiled last month a draft budget for 1984 setting a deficit of 59.3 billion knoner, the first reduction in the budget deficit since 1977; the expected shortfall for the current fiscal year is 63.5

The proposed 1984 deficit represents 10.9 percent of the GNP.

Although it contains no tax increases, the budget calls for continued incomes restraint and a reduction of 10 billion kroner in public expenditure, notably in the social-welfare and public-health sectors, the aim being to balance the budget within five years.

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NORDIC BANKING AND FINANCE

Iceland Is Hurt by Drop in Fish Catch

By Björn Matthiasson

REYKJAVIK - For many years the Icelandic economy was unlike any other in Europe. Since the end of World War II, there and output have been higher than elsewhere li in Western Europe, and inflation has been ye

Yet, living standards in this nation of 235,000 people have been on a par with some to 1981, real gross national product growth averaged 3.9 percent a year, the current account was in good shape and unemployment never rose above 1 percent. Inflation, however, remained at about 50 to 60 percent.

Recession has continued over the last two fish catch, the mainstay of the economy, total catch declined from 1.4 million tons in 1981 to 800,000 tons in 1982, mostly because of a ban on capelin fishing for conservation reasons. Capelin is a herring-size fish of the salmon family that has been caught in great quantities in recent years for reduction into ment of the People's Alliance, the Progresexpected to be eased soon.

and similar species - is all the more impor-inflation rate had reached 80 percent. tant, since it is far more valuable than cape-

catch increased rapidly, peaking at 715,000 tons in 1981. In 1982, it fell to 689,000 tons, has always been full employment, income and in the first half of 1983 it fell by a further 11 percent from the first half of the previous

This downturn has had a profound impact upon exports and national income. In 1982, the downtum was aggravated by a slump in of the richest countries in Europe, despite the difficulties of oil price increases. From 1976 exports, aluminum and ferrosilicon, although this year they have improved sub-

sate for the 20-percent drop in 1982. The balance of payments, which showed a deficit rears, mostly because of a downswing in the cast, the mainstay of the economy, percent of the gross national product, is constituting about 75 percent of exports. The expected to drop to about 2 to 3 percent of GNP in 1983, partly because of improved exports and severe austerity mesures taken

oil and meal, but catches have exceeded the sives and a splinter group from the reproductive capacity of the stock. A halt to Independence Party. It was succeeded by a further fishing had to be called in 1982, after a catch of 600,000 tons in 1981. The ban is united Independence Party, this time with a 1982, The government's austerity measures decisive conservative undertone. The gov-The catch of whitefish - cod, haddock erroment came into office at a time when the

decades in this country, where inflation has been tolerated with remarkable case. This sudden spurt in the inflation rate was in part fueled by the practice of compensating all wages for price increases every three months, thus creating a vicious wage-price spiral. The government had no other choice than to sever the wage-price linkage, with the result that the inflation rate is already declining dramatically and is expected to reach 20 to 30 percent at the end of this year.

This has meant, however, that prices are rising while wage increases are regulated by law and kept very limited. Real wages are, therefore, declining considerably, but this decline has been accepted with surprising equanimity by the labor unions, even if they are technically prevented from free collective bargaining. Altogether, it is forecast that real disposable personal incomes will fall by 14 cent between 1982 and 1983.

The decline in real wages will help reduce private consumption, which was necessary to bring national expenditure closer into balance with output. Official forecasts indicate the price of electricity to the plant from 6.5 that real GNP may drop by as much as 6 mills to 10 mills (1 mill is the equivalent of 1 percent in 1983, after a 2-percent decline in -as well as the economic contraction itself - are expected to lead to a drop of about 11.5 percent in national expenditure in real Immediately upon coming to office, the terms, far larger than the drop in production.

lin. After the extension of Iceland's fishing government took more drastic measures to The difference will be reflected in an improved balance of payments and a reduced need for foreign capital inflows.

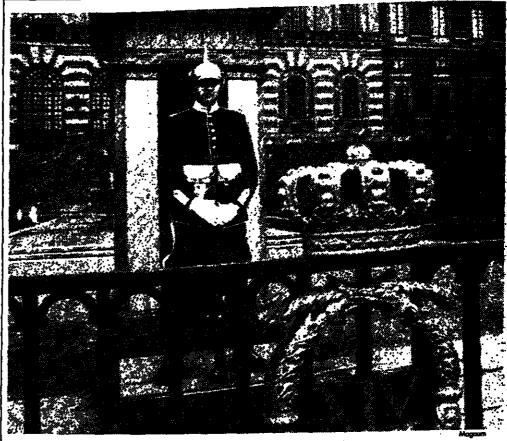
Official forecasts for 1984 have not yet been published, but the general outlook is that the economy may slowly come out of recession in that year. Much will depend on whether the fish catch improves and on what happens to the country's main industrial products in international markets. The outlook is promising, since fish catches could improve. Moreover, world market prices for fish products and industrial products have risen in recent months and could continue to do so with the improved world economic

The new government has also adopted a policy of inviting foreign investment into the country that would make use of its vast geothermal and hydro-energy resources.

It has taken the first step to settle the previous government's long-standing dispute with Alusuisse, the sole owner of an 80,000tons-a-year smelter in Iceland.

The dispute was over a new power price, and it was agreed as a first step to increase U.S. cent) a kilowatt-hour.

This step paves the way for further investments in the aluminum industry and signals the government's intent to bring greater emphasis to power-intensive manufacturing in



A guard at the Royal Palace in Stockholm.

Foreign Exchange Markets: A Preference for Fixed Rates

STOCKHOLM — In the 12 tries with large foreign trade voluments since Sweden's Social umes. The baskets have combined through with devaluing," Swedish Democratic government devalued the merits of a relatively stable cur-Finance Minister Kjell-Olof Feldt tries and to build solid foundations the krona by 16 percent and, in the rency index with the advantages of has been quoted as saying, suggest-process, dealt a severe blow to Nor- a degree of flexibility in regular ing that henceforth Sweden should process, dealt a severe blow to Nor- a degree of flexibility in regular dic currency cooperation, an aura small adjustments to the trade of stability has returned to foreign-weightings of the composite foreign exchange policy in the region. But currencies represented in each of the turbulence of last autumn, dur- the baskets. ing which three of the five Nordic Denmark, as the only Nordic hesitant about realignment, prefercountries had to resort to devalua-member of the EC, has preferred to ring more flexible domestic interest tion to revive their respective econ- align its currency within the intri- rates to steer economic activity and omies, has left lingering doubts cacies of the European Monetary about foreign-exchange manage. System benefiting — but also suf-

ment in the area. preference for fixed exchange rates, down of the Bretton Woods fixed arguing that their small open econ-exchange-rate system, Norway and omies with larger foreign trade rel- Sweden joined the European sued by successive Danish governative to the size of their industrial "snake," a forerunner of the EMS, base are more susceptible to the but eventually left and resorted to sharper fluctuations of floating ex- the basket system in 1977 and 1978. the four-party center-right coalichange rates. Since the late 1970s. Last year's spate of devaluations, Finland, Norway and Sweden have which could be diagnosed as a has firmly repudiated devaluation, adopted trade-weighted currency symptom of the deep-rooted mal-baskets as a tool to determine the aise of inflation within the Nordic times of crisis through the use of external values of their units. The countries, is seen by many Nordic the central bank's foreign-exsystem, though subject to criticism bankers and officials as the culmisystem, though subject to criticism bankers and officials as the culmical times, has on the whole been nation—and perhaps the end—of been a more stable Danish krone the era of using currency devahuation in previous years, which has been a more track than in previous years, which has been a more track than in previous years, which has been and officials as the culmical track than in previous years, which has been and officials as the culmical tracks that the culmical tracks the culm

tent in the area.

fering — from the strength of the sistant general manager and forThe Nordic countries have a Deutsche mark. After the breakreference for fixed exchange rates, down of the Bretton Woods fixed gen Handelsbank, said: "The long

aim for revaluations to fend off

monetary developments.

In Copenhagen, Jan Raffel, asera of devaluation policy, as purments, has clearly come to an end." Since coming to power a year ago, tion of Denmark's Poul Schluter

for economic recovery. In the case of Sweden, successive

governments used devaluation as a high, imported inflation rates. In tool to beef up industry's exporting Helsinki, Finnish government officials said that administrations were preciation of the krona of 45 pertool to beef up industry's exporting cent since 1977. If that policy is now at an end, as Mr. Feldt suggested, what are the alternatives? Does it finally mean joining the EMS to peg the krona more closely to a strong Deutsche mark?

The attempt to stabilize the krona by joining the "snake," which essentially meant pegging it to the mark, was not successful. Instead, the basket was created. The dollar was given a double weighting on the assumption it would continue to weaken. The premise was maccurate. In 1980, the dollar began to strengthen again, Sweden was unable to keep up, and in slightly more than a year it devalued by 24

In August, the central bank re-duced the weighting of the dollar in the basket from 25 percent to 11 imports following the devaluation. percent and effectively devalued

The Finnish anthorities enjoy about 6.5 percent.

There is a growing feeling among bankers that both Norway and Sweden should enter the EMS or, at least, be associated with the system in some form or another. Commercial bankers in the Nordic capitals said that such a membership or association would import greater stability into the two countries' respective economies, help to curb inflation and impose a greater dismiliation and impose a greater discipline in economic and monetary

A special characteristic of the Finnish basket is the importance

devaluations; it merely exacerbat- kets. We are not in a position ed Sweden's difficulty in maintain-ing competitiveness in relation to minister said in Brussels this spring its major trading partners in West- that we have to put our own house ern Europe. The same argument in order before we can contemplate applies in Norway's case, where the joining or discussing any closer costrengthening dollar forced the operation with the system." Swe-Norwegian krone up to levels den has to impose its own disciwhere exporters could not compete pline, which will entail pursuing a with cheaper prices from elsewhere. restrictive monetary policy in order

the krone in two steps by a total of the most complex and sophisticated basket system of the three Nordic exponents. The Finns were the first to use the concept, first on an informal basis in 1972, then officially in 1977. The weightings are adjusted on a quarterly basis when the latest trade figures are in, whereas in Sweden's case, the authorities adjust once a year. Finland, resorted to a markka devaluation totaling 9.6 percent last October.

attached to the Soviet ruble in the But several quarters reject these trade-weighted index, where it oc-arguments. In Stockholm, the new capies a weighting of 24.5, comgovernor of the central bank, Bengt pared with the dollar's 8.8 and the Dennis, said: "We greatly appreci- Deutsche mark's 13.3. The ruble's ate the European Monetary Sys- importance lies in the bilateral tem; it gives stability to the mar-trade agreements between Finland

CONTRIBUTORS

CHRISTOPHER FOLLETT reports on Danish affairs from Copenhagen for The Times of London and the Danish Broadcasting Corp.

TROND BOERREHAUĞ HANSEN is a journalist with the Norwegian News Agency, NTB, in-

BJORN MATTHIASSON is an economist with the University of Iceland.

MICHAEL METCALFE, a Paris-based financial journalist, was formerly a correspondent in the Stockholm bureau of the Reuter news agency. BJORN H. TRETVOLL, a staff business journalist for the Oslo daily Aftenposten, specializes in energy and other economic topics.

and the Soviet Union, and permits tral bank, Erik Hoffmeyer, underbalancing trade and, indirectly, currency fluctuations, in its relations with Western and Eastern European trading partners.

The governor of the Finnish central bank, Rolf Kullberg, is entirely satisfied with the existing basket arrangement and sees no reason to change its overall composition, a view shared by Mr. Dennis in the case of Sweden's basket. "The conclusion is in the central bank that we are happy in the way the basket is composed." Mr. Dennis said.

within manageable lim The governor of the Danish cen-

some leeway by the authorities in stood the preference of its Nordic neighbors for a basket system but said that the EMS link was the most beneficial in Denmark's case. From the Danish point of view, we have benefited very much from EMS membership," he said. The seven adjustments that Denmark has undertaken since the EMS began in 1979 has helped to depretiate the Danish krone against the Dentsche mark and, in so doing, has bolstered exporting competitiveness while keeping inflation within manageable limits.

- MICHAEL METCALFE

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Savings Bank Liberalization In Denmark Spurs Growth COPENHAGEN — The Danish by SDS' foreign department has Bank Reform of 1974 allowed sav-tripled since the department's inings banks to operate simultaception in 1977, with the group

neously as traditional savings handling more than 6 percent of all banks and as commercial banks, commercial transactions between permitting them for the first time to Denmark and foreign countries last enter the international money and year. (Until 1977, its foreign busicapital markets. This streamlined ness had been channeled through a banking in Denmark, forming the correspondent bank, Faellesbanbasis for the steady growth of the ken, of which SDS is a major sharenation's 150 savings banks.

This liberalization has been par-Danske Sparekasser, known as the ness is located.

As a result of the reform, SDS was able to gain access to new marand risk capital. Today, the business sector accounts for almost half of SDS loan portfolios, the group being particularly predominant in the farming and building areas. In addition, it has a 20-percent share of the private-household market in checking accounts. (In Denmark, all banks accept, without charge, personal checks issued by other banks up to a guaranteed 500 kroner, which probably accounts for

credit cards in the country.)

Bolstered by falling domestic interest rates, the group's result for not, respectively, 4 and 10 percent 1982 showed a net profit of 268 as before, a provision duly set million knoner, against 72 million down in the legislation. More immillion kroner, against 72 million kroner in 1981, its balance appreciating by 10 percent to 33 billion kroner. SDS is the biggest savings bank in Scandinavia and, if guarantee liabilities are disregarded, it ranks overall as the third-largest bank in Denmark, behind the leading commercial banks, Handels-banken and Den Danske Bank. Its nearest competitor, Bikuben, is two-thirds its size and has only just started foreign operations. Two other groupings, in south and north Jutland, are even smaller.

If SDS growth at home has been impressive — there are 410 cent of that of the comme branches — its overseas expansion has been even more dramatic. Its of the domestic checking-accounts share of commercial payments to market. and from foreign countries handled

holder.)

In 1979, SDS opened a "nameticularly advantageous to Den-plate branch in the Cayman Is-mark's biggest group of savings lands and in 1981 finally estabmark's biggest group of savings lands and in 1981 finally estab-banks, the Sammensluttede lished itself in London after purchasing a 25-percent share in SDS, formed in 1973 and consist- London Interstate Bank, the first ing of three groups of local savings instance ever of a savings bank banks covering Copenhagen and buying shares in a commercial the island of Zealand; the islands bank. The other equal-partner of Falster and East Lolland in the shareholders in LIB are Götabansouth; and the middle and south of ken, from Sweden, and two U.S. Jutland in the west — areas in banks, Maryland National Bank which 75 percent of private busi- and the Indiana National Bank. LIB had a £155-million balance for 1982-1983, with net profits of £926,000 (pretax profits having inkets in such fields as cash credit creased by an average 33 percent over the last 4 years).

SDS is also a member of an important new Danish banking consortium comprising Andelsbanken Danebank, Provinsbanken and Faellesbanken, which was formed in 1980 to negotiate foreign loans to finance Danish North Sea gas and other major municipal power and heating projects.

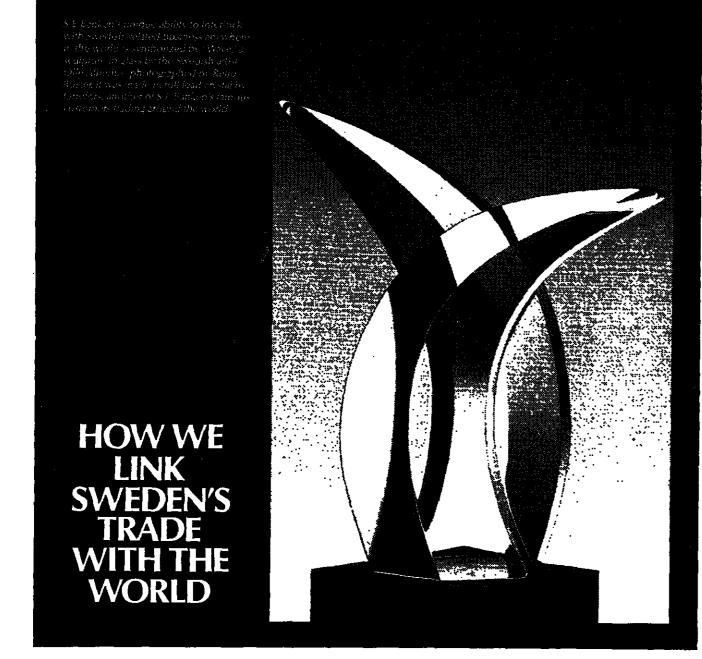
The big Danish commercial the comparatively slow growth of banks were never unduly worried about the potential threat of the The SDS group has an elected savings banks to their monopoly.

189-member board of representaOne of their major concerns was, tives and a 10-member board of however, that the bank reform directors. Its profits — after allow—should ensure that savings and ances for growth in capital —go to commercial banks' net capital recharity (15 million kroner in 1982) and not to shareholders.

should ensure that savings and commercial banks' net capital requirement should be identical—that is, at least 8 percent of debt and guarantee engagements and portant was the commercial banks' insistence that the savings banks should be subject to the same corporate taxation (currently 40 percent) as themselves.

Statistics show that the entrance of the savings banks into the conventional banking scene, while affording the savings banks signifi-cant inroads and profit, has not dislodged the commercial banks from their previous position of dominance. The savings banks' share of the domestic loan market banks since 1975, as has their share

- CHRISTOPHER FOLLETT



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COMMODITIES

By ELIZABETH M. FOWLER

Crisis-Proof, Demand-Proof Prices For Gold, Silver Puzzling Analysts

TEW YORK — Price movements for gold and silver are puzzling I transmodity analysts, who ponder two oddities: Gold prices seem impervious to world crises, and silver prices remain low despite a healthy increase in industrial production and, presumably, demand.

Joth metals are trading at lower prices than they did earlier this year, slikenigh commodity prices, as measured by the Commodity Research Bureau's index, are higher. Gold, as measured by the December contract an New York's Commodity Exchange Inc., has been trading around \$420 ancounce. This compares with its contract high of \$344.70 on Sept. 7, 1982. Silver lingers just above \$12 an ounce, measured by the December contract on the exchange, comcontract on the exchange, com-

With inflation certainly

little incentive to own

those who buy physical

and insurance costs.'

\$16.07 on Feb. 15 this year. In Mooday's trading gold for September delivery closed at \$416 on the Comer, off about \$1.60 to \$2.30. The active December contract was off \$1,70 at \$421.90. Selling on news of the ceasefire in gold, especially for Lebauou negated the bullish effect of larger-than-expected decline in the money supply, traders said. gold and pay storage Trading was described as lacking

The lack of a rally in-gold also depressed silver, which ended 11

: Stuckhulm.

CONTRIBUTORS

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cents lower at \$12 an ounce. Dealers said the rise in Comex stocks to a 13year high of 122.8 million ounces probably further deterred buying. André Sharon, a first vice president and director of international research for Drexel Burnham Lambert Inc., said last week that customers had been advised in the past month or so to double their gold holdings, to had been advised in the past meaning of so to decrease that inflation in the longer that the Time of the Time of the States will increase and interest rates will come down a little, Corp.

United States will increase and incre

This is based on our expectations of mildly accelerating inflation, reduced interest rates, a tighter supply-demand relationship, the behavior of other commodity prices, our outlook for the dollar, and the international debt situation," he said.

The recommended gold exposure for portfolios is now about evenly divided between metal such as Krugerrands and Canadian Maple Leafs, and shares of gold producing companies, principally South African producers, Mr. Sharon said.

Not Responding in Typical Fashion formeric a correspondention

Not Responding in Typical Fashion

International Commodities Services, noted that gold prices had not been

who buy physical gold and must pay storage and insurance costs."

Bernard C. Savaiko, a senior metals analyst for Paine, Webber, Jackson

100 & Curtis, said: "Foreign investors consider government bonds and bills bere a safer haven than bullion." He also said: "I see silver under pressure and weaker than gold. It's positively anemic relative to gold."

Outlook for Increased Demand

Because of the outlook for increased demand and more favorable prices this year, he explained, silver producers expanded their output earlier this year. The result has been a sharp increase in silver inventories in Comer warehouses, to a near record 120,928,480 ounces as of the Sept. 23 report. The record of 121,448 444 conces was set on June 4, 1970.

Levels could "exceed the record next week," Mr. Savaiko added, and this would further depress prices.

Increased industrial production has had little impact on the huge and inventories so far, he said "We see no called" he said in Vendonies and the little inventories and the little inventor of silver also have been at very high levels — 36,880,000 ounces as of Sept.

Meanwhile, the Commodity Research Bureau said it expected "further Meanwhile, the Commodity Research Bureau said it ex defensive price movement over the near term" for silver.

Mexico Peso Decision Is Hailed as Realistic

By Richard J. Meislin New York Times Service

MEXICO CITY — Mexico's decision to begin a gradual devalua-tion of the "free market" peso is being praised by bankers, business executives and economists here for being uncommonly realistic.

The devaluation, which will take place at the rate of 13 centavos a

day, is to lower the peso's value by 32 percent against the dollar over the next year, the Bank of Mexico said. This would lower the peso to 196.8 to the dollar by next September from last Thursday's rate of

Financial analysts said that the bank decided to move now for two

One was to prevent the official controlled rate, which is already being allowed to slip at the rate of 13 centavos a day, from falling any closer to the free rate. The spread between the two rates had narrowed to 14 percent when the government decided to act.

"Controlled" dollars are available to businesses to import raw materials and pay their foreign debts. A reduction in the margin between the controlled and free rates would have lessened the incentive for businesses to wait for cheaper dollars from the government and could have put pressure on foreign-exchange reserv

Bankers said another reason for the move was to head off a run on free market dollars. Speculation over the possibility of another peso devaluation had become increasingly widespread.

"Everyone knew that they had to do it sometime," said one American banker here. "The only question was when, how and by What was different this time is that the government decided to move promptly in a deliberate fashion, rather than to wait and force a

"Historically, what they have done is wait, to create a false image for the people, and then have a major devaluation every few years,"

said the banker. "This is a positive step." The "free market" peso has remained relatively stable since the last devaluation, on Dec. 20, 1982, when it fell 53 percent. The government has since minimized fluctuations by limiting the amount of dollars banks could sell on the open market. On some days, it has

One question being raised is whether the rate of devaluation will be adequate to keep Mexican products competitive in foreign markets. The government has been able to improve its trade balance sharply this year, but largely through a sharp drop in imports, which in turn has damaged local industry.

Manufacturers Hanover Trust Co., in its Foreign Exchange Review, said earlier this month that it expected the peso to be gradually devalued to 180 to the dellar by week and the new concernment also

devalued to 180 to the dollar by year's end; the new government plan, nowever, would take it to about 160 by that time.



Two men at Mexico City's international airport exchange dollars for pesos at inflated, black-market rate.

"If the government is to ease import restrictions and thus prevent a complete collapse of the industrial base," the bank's report said, "it must place more focus on the export sector. Thus, authorities would not want an overvalued currency that would hurt the competitiveness

The effect of the devaluation on importers is likely to be minimal, since most of them obtain their dollars in the controlled currency (Continued on Page 15, Col. 3)

Baldwin-United Asks Protection From Creditors

NEW YORK - Baldwin-United Corp. sought court protection Monday from creditors under federal bankruptcy laws after unsuccessfully struggling for months to cope with about \$1 billion in shortterm debts.

The Cincinnati-based financial services company filed a petition in U.S. Bankruptcy Court in New York seeking to reorganize under Chapter 11 of the Federal Bankruptcy Code.

The move capped months of maneuvering to reschedule loan agree-ments with creditors and sell off

assets of the company.

The voluntary filing in U.S.
Bankruptcy Court in Manhattan came minutes after three Baldwin-United creditors filed a petition in Cincinnati federal bankruptcy court to put the company into involuntary bankruptcy proceedings.

Baldwin-United's president, Vic-tor Palmieri, said: The proceedings will provide a mechanism for dealing with the inter-creditor disputes which proved irreconcilable when a small number of creditors representing \$10 million out of al-most \$1 billion of debt could not find common ground."

Representatives of creditor banks of Baldwin-United and its D.H. Baldwin subsidiary had been meeting with debentures holders over the past week to work out their problems relating to collateral ar-

Compiled by Our Staff From Dispatches

record levels Monday, for the third

broader market, advances led de-

fairly active.

NYSE Prices Rise;

Dow at New Record

NEW YORK - Lower interest -was larger than expected, led to a

rates and Friday's favorable money rally Friday in credit markets and

ment, which proved impossible, Baldwin said. Mr. Palmieri said that as a result,

"I determined that the company should petition the bankrupcty court to protect the interest of all parties, in particular policyholders, creditors and stockholders."

The decision to file for protection was seen as inevitable for a company with too many diverse creditors chasing too few assets. Analysts said Baldwin's manage-ment did well to take the troubled

financial service firm this far with-

out ending up in court.
Mr. Palmieri's strategy was simple: to get the company's creditors to delay their payment demands until it could return to a profitable operation and sell off some assets.

Baldwin and its creditors worked out several standstill agreements, the latest of which was to expire Sept. 30. Throughout negotiations with creditors, Mr. Paimieri was known

to have threatened to file for bankruptcy, warning lenders such a filing would benefit neither them nor the company.

Mr. Palmieri also vowed he

would file for protection before any of the creditors could take action. While secured creditors have long sided with Baldwin in its effort to reorganize out of court, unsecured lenders have been less co-

Sources close to the situation A continuation of these arrange- (Continued on Page 15, Col. 4)

A. TRETUDE at all for new ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold prices had not ocen for the first flow ages. International Commodities Services, noted that gold p One reason for buying gold has been as a hedge against inflation. But with inflation certainly under control, possibly through 1984," Mr. Sterling said, "there is little incentive to own gold, especially for those

United Press International grant new loans," Mr. Leutwiler WASHINGTON — The world said. "That implies that the banks but the largest banking companies responding reserves." have huge losses ahead of them, the head of the Bank for International

Settlements warned Monday.

Fritz Leutwiler, the president of and the Swiss central bank, deliv-Volcker characterized as a money. assessment of the inter- Even if there is no banking crisis national debt crisis.

should use their reserves" in-

"The banks have to realize that will be turned into long-term and part of the interest due to them is not collectable unless they steadily structure of bank liabilities will

banking system can avoid collapse should already be setting aside cor-

Mr. Leutwiler is one of the world's most widely respected banking anthorities and the man who coordinates emergency the Swiss coordinating center for "bridge loans" to governments like the central banks of 29 countries Mexico and Argentina when they do not yet have access to promised cred what Fed Chairman Paul A. International Monetary Fund

"The banks have made huge warned commercial banks that profits in the past," he said. "Now they are in a difficult position and deep marks on their balance sheets. "the world debt problem will leave Not only will loans to needy countries have to be extended again and again, but "short-term claims

Mr. Lentwiler have to be gradually adjusted to that the banks conform to the immobilization of certain assets."

Mr. Volcker, who sat nearby in the National Press Club where Mr. Lentwiler delivered his speech, afterward remarked Mr. Leutwiler was a "gloomy man."
Both Messrs. Lentwiler and Volcker are central figures in the

discussions of world debt problems taking place this week in Washington, site of a joint meeting of the International Monetary Fund and in the near future Mr. Lentwiler the World Bank.

well as other central banks, will subject to far more govern have to be repaid as soon as the control, he predicted. IMF starts sending that country money again.



Fritz Leutwiler

Mr. Leutwiler made it clear that the main lenders to the Third 86.4 million shares from 93.2 mil-

Brazil's overdue payments to the World. And if they ask for govern- lion Priday. BIS, backed by the United States as ment help they will find themselves The Dow Mr. Leutwiler also blamed regu-lators for allowing banks to dig

Despite potential losses by the themselves into a "miserable situa-

Hong Kong recessed Friday in Beijing. A fifth session is to be held

Oci. 19-20.

The Dow, which gained 29.88 last week, was operating at a 1.12-point handicap Monday, since American Telephone & Telegraph traded ex-dividend. Price rises in the shares of Merck and IBM strongly influenced the average's

movement. Merck ended the day up 3 points at 97%, while IBM climbed 2% to 128%. Analysts said institutional investors were continuing to stockpile conservative blue-chip stocks in their portfolios as the end of the quarter neared. But overall activity of institutions declined. There were only about 1,700 block trades of

10,000 shares or more Monday, compared with 1,945 Friday. The fourth session in the current round of Chinese-British talks on In early trading Monday, prices moved sharply higher, mainly in reaction to the \$3.1-billion decline

in the money supply that the Feder-

and stock.

supply report helped prices on the New York Stock Exchange close at record levels Monday, for the third Alfred Goldman, an analyst with time in two weeks. Trading was A.G. Edwards & Sons, said stocks moved "too aggressively" Monday The Dow Jones industrial average ended ahead 5.18 points at chip stocks were being hurt by

1,260.77. The Dow's last record profit-taking. But buyers resurwas 1,257.52, set Thursday. In the faced shortly thereafter. -RCA, a 4-point winner in the clines 9 to 7. Volume dropped to previous two sessions, was the most active NYSE issue Monday, up %

Amex to Buy Alleghany Unit

NEW YORK - American Express Co. said Monday that it signed a definitive agreement to acquire Alleghany Corp.'s Investors Diversified Services Inc. subsidiary in a transaction valued at \$773 million in cash

Under the agreement, leghany would receive 11.5 milhon shares of American Ex-\$435.5 million, based on Monday's closing price on the New York Stock Exchange of 37%, and \$337.7 million in cash.

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Eurocurrency Deposits

Herald Tribune

The Global Newspaper Edited in Paris Printed Simultaneously in Paris, London, Zurich, Hong Kong and Singapore

Hong Kong Dollar Rises as Government, Banks Act about 9.55 to the American dollar on Saturday — following a half-day of trading during which the colony's currency slid 8 percent, the Hong Kong dollar closed up Monday at 8 405 and 190 feet and a perceived lack of the colony's future and a perceived lack of the colony's land area expires in ony's future and a perceived lack of the colony's land area expires in 1997 and China has vowed to re-claim the entire territory by that

By J.L. Battenfeld United Press International

HONG KONG — The Hong Kong dollar, driven to record lows by fears about the British colony's future, recovered slightly Monday amid a major rescue operation by ent and major banks.

The first phase in efforts to bol-ster the Hong Kong dollar included a rise in the prime lending rate by 3 percentage points to 16 percent. Other moves were expected to involve more active intervention by the government's exchange fund the basket of hard currency sup-porting Hong Kong banknotes — to stabilize the local unit's ex-

After hitting a record low of

the Hong Kong dollar closed up Monday at 8.425.

But most traders waited on the sidelines for the government's next

Jimmy McGregor, director of the Hong Kong General Chamber of Commerce, while noting that the boost "initially" will hurt manufac-turers, said the "most responsible manufacturers will support this temporary measure.

"It's the first line of attack in

over Hong Kong, whose 5.2 million people have Asia's third-highest per-capita income.

The sharp drop of the Hong Kong dollar has led to predictions of increased costs and higher inflation, currently at about 9 percent

lowing consultations between government and financial leaders, the government said it was "actively" order to improve the state of the Hong Kong dollar," Mr. McGregor an exchange rate which would more accurately reflect the funda-

W. Germans, Dutch Fight Steel Cuts

BRUSSELS --- West Germany and the Netherlands have emerged as the main opponents of plans for a sweeping new round of steel plant closures in the 10-nation European nunity, officials said Mon-

But the EC's executive commission has reaffirmed its pledge to push through the capacity cuts as n needed to restore the recession-hit industry's battered fi-

Several governments, notably It-aly, which had initially been hostile to the commission's strategy, had since softened their opposition, the The commission's senior compe-tition official, Frans Andriessen,

said in June that the steel industry

needed to slash a total of 29.4 mil lion tons, or about one-lifth, from its finished steelmaking capacity by Despite a legal challenge from Bonn, Mr. Andriessen told the community's steel consultative

committee last week that the cuts and the apportionment of capacity among the nations, were irrevoca-The closures were made a condition for further commission ap-

proval of the state aid the govern-

ments have used to keep their steel

companies affoat. The cuts would involve the loss of between 100,000 and 150,000

jobs in the steel industry to bring output into line with depressed demand from such traditional customers as the car, engineering and construction industries. The officials quoted Mr. An-

driessen as saying that the West German government was taking the most intransigent line in negotiations over the cuts. Last week West Germany said it held by the court.

Would challenge the commission's The officials said the Dutch government asked to min a further

peatedly maintained that the much higher state subsidies handed out to steel companies by governments in France, Italy and Britain have damaged its industry.

But Mr. Andriessen was said to be confident that his call for a further 1.3 million tons of cuts in West Germany's capacity would be up-

Justice, contending that it unfairly 770,000 tons from its industry, was discriminated against its steelalso taking a tough line in opposing

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Life Technologies, Inc.

has been formed by merger of

Bethesda Research Laboratories, Inc.

and

The Gibco Corporation

a subsidiary of

The Dexter Corporation

The undersigned originated this transaction and advised Bethesda Research Laboratories, Inc.

F. EBERSTADT & CO., INC.

Members New York Stock Exchange, Inc.

New York

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vi— in bankruptcy or rea under the Bankruptcy Act, companies, wi— when distributed, wi— when issued, wi— with warrowts, x—ex-dividend or ex-rights, xdis—ex-dividend or ex-rights, xdis—ex-dividend and sales in yid—yield, 2— sales in till.

in the Trib.

Get the latest low-down on high-tech in the weekly column on

U.S. Future Prices

WHEAT
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VALUE LINE
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GOLD 100 from Sep Oct Nov Dec Feb Apr Jun Aug Oct Dec Feb 415.10 415.10 414.80 418.80 420.70 425.20 425.20 445.80 45.80 45.80 45.80 45.80 45.80 415.10 415.50 478.80 421.90 428.98 434.00 442.20 459.60 453.90 473.70 Cents per lb. 132.15 133.70 132.40 132.59 London Commodities London Metals Sept. 26 High grode seet 2 months Copper cat spect 3 months 7 months 7 months 2 months 2 months 2 months 2 months 3 months 8 silver spect 3 months 4 months 4 months 1 months 1 months 3 months 1 months Cosper Cathodes: 1,835.00 1,637.00 1,637.00 1,635.00 1,637.00 1,035.00 1,640.00 1,637.00 1,640.00 1,635.00 1,640.00 1,671.00 1,67 1,462 1,501 1,493 1,501 1,511 1,518 1,526 1.445 1.466 1.463 1.476 1.491 1.502 1,455 1,473 1,491 1,500 1,509 1,5176 1,523 1,460 1,494 1,492 1,503 1,512 1,519 1,525 1.450 1.453 1.464 1.502 1.502 1.502 1,458 1,466 1,560 1,500 1,500 1,500 1,500 EE 1,778 1,730 1,685 1,655 1,633 1,633 1,084.00 1,085.50 1,071.50 1 1,112.50 1,114.50 1,099.50 1,204.00 3,205.80 3,240.00 3,285.80 3,285.80 1,770 1,745 1,723 1,678 1,648 1,625 1,610 5 tons 1,771 1,751 1,725 1,677 1,646 1,678 1,608 1,774 1,752 1,727 1,678 1,648 1,691 1,610 1,776 1,763 1,728 1,661 1,650 1,677 1,610 1,778 1,764 1,729 1,482 1,452 1,431 1,411 GASO Sep Oct Nov Dec Jen Hay 1.39 GOLD Sep Oct Nov Dec Jen Feb May Paris Commodities 251.25 252.00 253.00 254.50 257.25 259.75 253.75 264.00 263.25 263.75 253.00 254.00 253.00 254.00 253.00 254.00 High 2,990 2,305 2,405 2,525 N.T. N.T. 1.0W 2.075 2.294 2.400 2.520 N.T. N.T.

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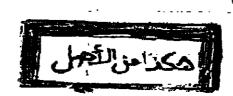
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Dow Jones : base 100 : Dec. 31, 1934. AMEX Highs-Lows Sept. 26 , lage Delicit -

Dividends STOCK SPLITS

92/



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2.110 2.100 2.095 2.005 2.005 2.060 2.060

elevator firms said these extra

charges apparently have been

tacked on in situations where farm-

points, preferred to accept a lower

price rather than take possession of

their grain and try to sell it else-

Mr. Marxman and an assistant,

Alvin L. Krogstad, acknowledged

that the Agriculture Department

has received complaints from farm-

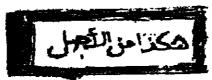
ers about additional charges. But,

they said, the department in each

instance has warned suppliers that

farmers must be paid the same for

where for higher rates.



£565.5 Willion on Sale of BP Shares

aLONDON (AP)—The sale of 130 million government owned shares in British Petroleum will bring the government £565.5 million (\$849 million), the Bank of England announced Monday.

The theres, offered for sale by tender with a £4.05 minimum price, will go for £4.35 each, a "striking price" 5 pence higher than forecasts by nivestors briday, when the offering sold out in 60 seconds. Investors said the high price was a sign of confidence in BP.

The Bank of England said 79,700 applications at or above the striking

price were received for 171,452,750 shares.

The sale, announced in July, was part of a series of measures by Prime Minister Margaret Thatcher's Conservative government to make up for overspending. The government stake in BP has fallen from more than 50

Kuwait Warns OPEC to Heed Quotas

percent to less than 33 percent in four years.

KUWAIT (AP) - Sheikh Ali Khalife al-Sabah, Kuwait's oil minister. warned OPEC states Monday against exploiting the relative stability of the world oil market by increasing output and said OPEC's production calling should not be raised "at least till the end of the last quarter of this

"Any increase in production will spur consumer states to stockpiling."

Sheikh Ali told the newspaper al-Cabes: Plassin turn would lead to "a return of the oil gint." he said He did not become any of the 13 OPEC states of overproducing, and he denied that there was any trend within OPEC to thise production levels of prices.

Low demand forced the Organization of Petroleum Exporting Countries to fix production quotas last Margin for its member states totaling 17.5 million barrels a day, At the same time, OPEC cut its reference price \$5 to \$29 a barrel.

Turkey Orders Small Bank Takeover
ISTANBUL (Reuters) — The Finance Ministry has ordered the takeover of a small bank lack Kerdi Bankisi, officials of the bank said Monday. They said the ministry ordered one of the country's largest banks, Turkiye Is Bankasi, to take over and guarantee the deposits of Isci

as an interim the same.

A law that went into effects in July empowers the Finance Ministry to bring troubled banks under ministry control or to order a takeover by another bank.

another bank.

Turkiye Is Bankasi, which is 80 percent state-owned, will prepare a report for the ministry within two weeks on the future of Isci Kredi, whose board has been dissolved, the officials said.

(Continued on Page 14)

SWISS FRANC

JAPANESE YEN

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Dividends

U.S. Steel Not Hopeful on U.K. Deal

PITTSBURGH (AP)— Thomas C. Graham, vice chairman of U.S.

Seel Corp., said Monday, that chances were "less than 50-50" for an agreement with British Steel for a joint operating project at U.S. Steel's Fairless Works near Philadelphia.

Mr. Graham, in remarks prepared for a group of New York financial experts, said negotiations were nevertheless continuing with British Steel on a plan to import sens. Initiahed slab steel from Scotland for finishing at Pairless.

Fairless.

The United Steelworkers of America union strongly opposes the plan.

Mr. Graham said U.S. Steel would work with a union task force looking into alternatives for the Fairless Works plant.

Brock Urges Action on Protectionism

MEECH LAKE, Quebec (AP) — Specific action is required to control the growth of protectionist measures, U.S. Trade Representative William E. Brock said Monday, But he did not spell out what of action he might propose during a two day meeting with Canadian, Japanese and European officials at Meech Lake, a government retreat north of Ottawa.

Mr. Brock said the objective of the informal meeting of trade ministe was to begin turning into action the commitment to liberalize world trade that was made in June by leaders of the seven major industrialized nations in Williamsburg. Virginia.

He said, however, that he did not expect anything concrete to result from his talks with Geraki Regan of Canada, Wilhem Haferkamp of the European Community and Sossike Uno of Japan.

Kohlberg Kravis Raises Bid for HMW

-STAMFORD Connecticut (Reuters) — HMW Industries Inc. and Kohlberg Kravis Roberts & Co. shid Monday that the merger terms between HMW and companies controlled by Kohlberg Kravis had been each HMW share, up from the \$40 agreed previously. HMW said its board unanimously approved the amendment, giving the transaction a value of more than \$70 million.

Kohlberg Kravis also has agreed to surrender options to purchase up to

Edit I amilion HMW treasury shares at \$40 apiece, the companies said

HMW has about 1,6 million common shares outstanding.

Clabir Corp. has proposed a two-step merger with HMW, the first step

of which calls for it to purchase one million HMW common shares at \$43 a share. Earlier this month Clabir sued in federal court to void the options granted to Kohlberg Kravis by HMW. HMW has resisted the Clabir bid.

ACF Says Talks With Icahn Faltering

NEW YORK (AP) -ACF Industries Inc. said Monday that it had been unable to reach agreement concerning the company's possible acquisition by a New York investment group headed by Carl Icahn.

ACF, a leading builder and lessor of rail freight cars, also said that "several people" had indicated interest in proposing a leveraged buyout of ACF and the company was discussing a transaction that would be acceptable to a nonmanagement independent committee of the ACF. nent, independent committee of the ACF

U.K. Trade Cap

Stimmed in Month

Big S. Korean Bank Britoil Issues British Covernment Stands to Gain Fires 10 in Scandal In Eurobonds

SEOUL - Cho-Heung Bank, of the tax office.

involving 167 billion won (\$211 tion from senior executives.

fice said it has begun an investiga-tion of the 10 employees as well as two companies after the bank filed discoul.

The bank's president, Lee Hun ng, said at a news conference that bank auditors had discovered that bank promissory notes totaling 167 billion won were issued illegally by some bank employees between February 1980 and last

At the end of 1981, Cho-Henng listed assets of 5.417 trillion won. won of the illegally issued promissory notes have been cashed, and said his bank will pay against the rest of the notes when they are

billion won of collateral from the tive and the chairwoman and the two companies involved and was president of Yungdong.

Rate Plan Delay

rill Lynch or Nomura Securities.

earliest date for firm commission-

discuss commission rates and other

ibmissions to the exchange.

which reconvenes Oct. 24.

said Monday.

one of South Korea's largest com-mercial banks, said Monday that it had dismissed 10 employees in connection with a banking scandal and bank scals without authoriza-

officer). The two companies said to be The government prosecution of involved were identified as Yung-

The companies had used the promissory notes in purchasing real estate, paying interest for pri vate loans or for operational funds, Yungdong has 13 subsidiaries and affiliated companies, including So-II General Construction Co.

which, the bank said, has \$247 mil-

lion dollars of construction projects under way. Son Chang Sun, president of Shinhan, and Park Chong Ki, one Mr. Lee said said 47.1 billion of the 10 bank employees dismissed, left the country at about

Prosecution officials said nine presented to protect the bank's bank employees were under interrogation, and authorities were He said his bank has secured 93 looking for one former bank execu-

Sept. 15, Mr. Lee said.

LONDON - Britoil is issung a \$100 million, seven-year, 1%-percent Eurobond at par. lead manager Goldman Sachs & Co. said Monday. The bonds are callable in 1988 at 1001/2 percent and in 1989 at par.

Sears, Roebuck & Co. is issuing a \$150 million, 10-year, 11%-percent Eurobond at par, lead manager Goldman Sachs said Monday. The bonds are being issued through an over-seas subsidiary and are to be listed in Luxembourg. Denmark's \$500 million, sev-

en-year floating rate Euronote that was issued on Friday has been priced at 3/16 point over the six-month London interbank offered rate, lead manager Merrill Lynch Capital Markets

Konishiroku Photo Industry Co., which makes Konika cameras among other products, is offering \$50 million of 15-year convertible bonds. The bonds. which mature April 20, 1998, are priced at par and are expected to carry a coupon of 4 percent to 41/2 percent. Nomura International is the lead manager.

after pressure from the insurance

commissions in Arkansas, Indiana

The commissions, hoping to pre-

vent loss of assets by insurance policy and annuity holders, this

summer seized the assets of six of

Baldwin reported a \$617-million

loss for the first quarter of the year, the most recent period for which results are available.

Baldwin's insurance companies.

and Wisconsin.

London Exchange Baldwin-United Asks Court

LONDON — Nicholas Goodison, the chairman of the London nati and First National Bank of Stock Exchange, has told senior tors who filed against the company, partners of brokerages that plans had at first been reluctant to sign a for negotiable commission rates June standstill agreement. will not established by next month when Parliament reconvenes and

exchange members vote to amend their constitution, market sources Talking at a private meeting, Mr. loan extension. Goodison added that the proposed

new membership appeals committee would not be empowered to admit such foreign brokers as Mer-Mr. Goodison indicated that ear-

The filing by the three creditors rate proposals. Mr. Goodison is to points up the delicacy of Baldwin's negotations, which faced being de-

Glasgow Tuesday and in Manchester and Birmingham on Wednesmors surfaced on several occasions day. Senior partners have been givthat creditors were headed for en until Oct. 4, to complete their court.

Official sources said the govern- last week to put its MGIC Invest-ment will want some indication ment Corp. subsidiary up for sale from the exchange about how it probably prompted the latest wor-intends to dismantle minimum ry by creditors.

commission rates before parliamentary questions can be raised on which sells mortgage insurance and the matter in the autumn session, other financial products, in 1982 for \$1.2 billion, but industry ana-

For Shield From Creditors

(Continued from Page 13)

said First National Bank of Cincin-Louisville, two of the three credi-

when the collateral for the loan extension was not made permanent. But the issue apparently resurfaced this month when negotialy December is likely to be the extension.

exchange reforms with brokers in railed at almost any time.

Analysts said Baldwin's decision

Baldwin purchased MGIC.

£4.961 million. Mexico's Decision on Peso

Is Called Realistic by Many (Continued from Page 13) market. This was not affected by Thursday night's announcement. Some exporters, meanwhile, had been calling for even greater deval-

uations, to a rate of about 200 to the dollar by year-end. We in exportation are in a battle to the death for dollars and markets," Juan Jose Flores, a member of the National Foreign Trade Council, said at a news conference Thursday, before the devaluation

not have the weapons necessary for

The other groups who will be affected by the change will be Mexicans wishing to travel abroad, who will find it more expensive to do so, and foreign tourists coming to Mexico, who will find some things

Much of the benefit for foreign visitors, however, will be eroded by sharp increases in hotel prices, to begin Dec. 16, which were anplan was amounced. "But we do nounced earlier this month.

Seen by Chairman lysts said the subsidiary may be

worth only half that amount now. Baldwin-United borrowed \$600 million from eight banks to finance Mr. Palmieri has long insisted that MGIC would not be sold, but is believed to have changed his view

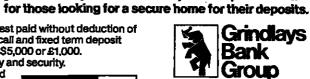
Creditors' concerns were raised in June when the previous Baldwin management decided to turn over certain assets as collateral to the secured creditors in exchange for a

A confrontation was avoided tions began again for another loan

Over the past few months, ru-

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with assets exceeding "Rate quoted for deposit of US\$25,000. Correct at time of going to press interest rates also quoted for Pound Starling and other major internation currencies Larger amounts affract a higher rate of interest.



Major U.S. Grain Companies Benefit

us a lot more if we had had to farmers' organizations and small

that large grain-handling firms ers, distant from their PIK supply

bushel off the farmers' wheat prices as an additional service charge. their PIK grain as they would get for grain they raised, without de-

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of your product.

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Under Payments-in-Kind Program

physically move the grain."

An elevator man, Ken Hostetter

of Hanover, Pennsylvania, said

"will have a big corner on the mar-ket." "They'll do real well because

of volume. But it's still a good deal

for the government, because it's the

this PIK grain." he said.

most cost-efficient way to deliver

Although the handlers' bids are

supposed to include all costs of

handling and moving the grain,

scattered reports from around the

country indicate that some firms

have taken from 5 to 10 cents a

Excellent references availables

By Ward Sinclair

WASHINGTON—The Reagan administration's payment-in-kind program for aiding farmers and reducing crop surpluses also is ben-

efiting the nation's major grain companies, which are receiving handling fees in the form of grain

Big traders such as Cargill Inc.,

Continental Grain Co. and Bunge

Corp. have provided grain to the

Department of Agriculture in areas

where it does not have enough to

In return, the government is giv-

ing the trading firms, warehousers

and grain elevators their own pay-

ments-in-kind of wheat, corn and

grain sorghum from federal stock-

piles in other areas around the

country that have excess supplies.

The Department of Agriculture said the names and fees carned by

participating grain companies have not been tabulated.

The privately owned major trad-

ing firms offer little additional in-

formation. A spokesman for Car-gill, for example, which is

his firm would not discuss financial

espects of its involvement in PIK.

But officials in government and industry say the companies are likely to end up with grain worth millions of dollars as their fees.

Agriculture Department and in-

dustry officials said the alternative

to using the grain companies would be shipments of federal surpluses around the country that would cost

the Treasury far more than the fees

the companies are receiving. But

the Agriculture Department ac-

knowledged that it has no figures to

Merrill D. Marxman, deputy ad-

ministrator of the Agricultural Sta-

bilization and Conservation Ser-

vice, which oversees the PIK

program, said the Agriculture De-

partment has not had to transport

any grain to satisfy its commit-

"We put 72.1 million bushels of

wheat in the hands of the farmer

and we used 5.2 million bushels as

payment" to handlers, he said. "Our cost came out to about 25

cents per bushel. It would have cost

ments in grain-deficient areas.

support this argument.

idered to be the largest, said

fulfill its obligations to farmers un-

der the program, known as PIK.

worth millions of dollars.

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Patrick Sheehy, Chairman, comments:

It is very gratifying that our retailing, paper and other non-tobacco businesses have done so well in this first half of a year in which tobacco profits have been adversely affected, particularly by a price war in Germany and significant weaknesses of currencies in Latin America.

Group turnover in the six months to **30 June 1983, at £5,350 million, is 5 per** cent higher than in the comparable period of 1982, pre-tax profit is slightly down at £345 million, but attributable profit is 3 per cent higher at £189 million.

PROSPECTS

In the second half of this year tobacco profits are expected to be appreciably better than in the first half. However, profits for the full year from this activity will show some reduction in comparison with 1982.

I expect the extremely encouraging improvements in Retailing shown in the first half year in both the US and the UK to continue and that the increase in Retail profits for 1983 on 1982 will be substantial.

Paper in the UK and USA will make further progress. I expect the improvements in profits from Packaging and Printing to continue, particularly as the benefits of rationalisation flow through.

For the Group as a whole, subject to adverse changes in exchange rates, I expect attributable profit for 1983 to show an increase on last year well in excess of inflation.

Interim Report: Six Months to 30 June 1983

GROUP RESULTS

Half years to %change 30.6.83 30.6.82 over <u>5.081</u> +5 <u>6,426</u> Trading profit Interest paid less receive Share of associated companies profit before tax Profit before taxation 505 143 <u> 203</u> Profit after taxation 211 208 Minority interest Net profit attributable to B.A.T Industries 189

DIVIDENDS

The Directors declared, for payment on 16 November 1983, an interim dividend out of the profit for the twelve months to 31 December 1983 at the rate of 3.375p per share on the Ordinary Shares.

Transfers received in order by the Registrar of the Company up to 18 October 1983 will be in time to be passed

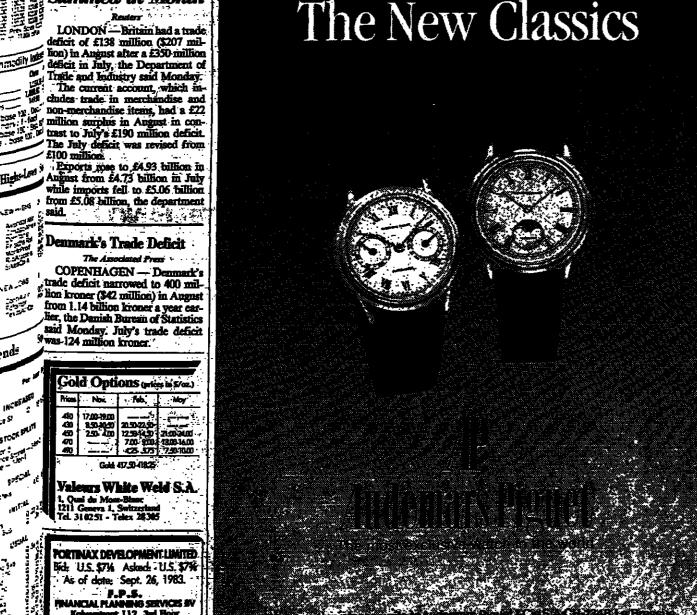
for payment of the interim dividend. As approved at the Annual General Meeting on 25 May 1983, a 3 for 1 capitalisation issue was made of three fully paid ordinary shares of 25p each for every ordinary share of 25p registered at 3 June 1983. Thus the 1982 interim dividend of 12.5p per share was equivalent to an interim dividend of 3.125p per share on the shares in issue for the 1983 interim

The final dividend will be paid at the beginning of

INDUSTRIAL ANALYSIS

Hall year to:	30.6.53	30.6.82	%changeover June 1982	31.12.82
•	£r	nillions		
Turnover Tobacco Retailing Paper Packaging & printin Other trading activi	2,803 1,489 526 261 titles 271 5,350	2,913 1,160 500 262 246 5,081	-4 +28 +5 -10 +5	3,555 1,837 474 275 285 6,426
Trading profit Tobacco Retailing Paper Packaging & printin Other trading activi	221 28 55 11 ties 18 328	284 6 42 7 6 345	-22 +367 +31 +57 +117 -5	288 96 33 11 10 438

B.A.T Industries p.I.c. Windsor House 50 Victoria Street London SW1H ONL



ier, the Danish Burean of Statistics said Monday. July's trade deficit was 124 million kroner. Gold Options (prices in 5/02) 20 50 72.50 12 50 42.50 7.00 9000 12.00 16.00 425 375 7.50 10.00 G-H-417-90-(1825) Valeurs White Weld S.A. l, Quai de Moss-Blanc 1211 Geneva I, Switzerland Fcl. 318251 - Telex 28365

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Monday's Closing

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Monday



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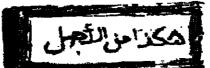
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> THE INDUSTRIAL BANK OF JAPAN, LIMITED THE SAFIAMA BANK, LTD.

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92/



Airline Is Accused Of Union Busting

Continental, After Chapter 11 Filing, Is Rehiring Workers at Lower Wages

NEW YORK - Plans by Continental Airlines to rehire at sharply lower wages some workers it laid off when it filed for protection from its creditors have prompted charges of union busting.

The Houston-based carner filed

Saturday for reorganization under Chapter II of the bankruptcy laws, tinder which a company continues to operate under court protection

from its creditors while it works out a plan to pay its debts.

It suspended all domestic flights and laid off most of its employees.
On Sunday it said it plans to rehire about 4,200 of the 12,000 laid-off workers at sharply reduced wages and benefits as part of a drive to become a smaller, low cost domes-

Continental officials said the carrier would resume service to 25 United States cities on Tuesday, down from 78 cities on its schedule last week. They also disclosed that the carrier's foreign operations had been spun off earlier in the week into separate subsidiaries and that they were not included in the bank-ruptcy filing.

hon since January 1979, including \$109 million so far this year. In an affidavit with the filing. Confinea-dicke added, it could also backfire. The general public might shy away the claimed that work rules specified in from an airline that is operating

labor contracts force it to employ "hundreds more pilots and fight attendants than it needs."

Spokesmen for three unions accused the company of filing for reorganization as a ploy to escape

Marilyn Wade, a spokesman for the 2,300-member Union of Flight Attendants, said she "absolutely" considered the filing an effort at "union busting."

Dennis Higgins, a negotiator with the Air Line Pilots Associa-

tion, said, "We believe Continental is doing nothing more than trying to void their contracts." He said the pilots would go to court to keep

Analysts said Sunday that the move represented a bold, but risky, factic by Frank Lorenzo, the carrier's chairman and chief executive officer, to lower operating costs.
"It's never been used in the industry before," said Robert J. Joe-

dicke an analyst with Lehman Brothers Kuhn Loeb, referring to the use of Chapter 11 as a means of extracting labor concessions. about \$85,000 a year would now be "There is nothing historic to use to predict what will happen." about \$85,000 a year would now be offered \$43,000, Mr. Hicks said. Flight attendants who were former-While the filing might enable Continental to break its union con-



A ticket agent at Dallas-Fort Worth explained Continental's position to a customer.

under Chapter 11, he contended. Bruce Hicks, Continental's senior director of public relations, said Sunday that the airline has begun to rehire workers and that the response has been encouraging.

He said the airline would have enough staff to resume operations by Tuesday and that many workers had called in to indicate their readiness to work. This was the case even when they were told of the lower wages and benefits, he said. lot-captains who had been earning ly paid about \$28,000 a year would now be offered about \$15,000. He added that these lower levels com-

the current reorganization it would

Texas Air Corp. completed the machinists had gone back to work takeover of Continental in October and the company has also hired

reduce its overall operating costs by 25 percent. Continental officials have said previously that labor that has been merged with Contimakes up 33 percent of the carrier's nental. Texas Air, of which Mr. operating costs, compared with 26 Lorenzo is president, also holds a percent for Southwest Airlines and 77 percent interest in New York 12 percent for Muse Air, two major Air, which is based at La Guardia.

The filing for bankruptcy came In a letter to Continental employees, Mr. Lorenzo said that "the dants rejected Continental's last terms on which we will be offering contract offer. The offer, tendered employment will be vastly different on Sept. 14, called for Continental from those in effect prior to the employees to give up wages and filing of the bankruptcy petition. benefits totalling \$150 million a We must operate with marketplace year for ownership of up to 35 percent of the company's stock.

The action is the most drastic yet

The airline has also been coping taken by Mr. Lorenzo, who has with a strike by the International been attempting to cut the carrier's Association of Machinists that belabor and operating costs since gan last Aug. 12. About half of the

U.S. Tool Orders Seagram to Acquire Down for Month, Up on Year Basis Coke's Wine Assets

Compiled by Our Staff From Dispatches NEW YORK - Machine tool orders, reflecting the usual lack of activity during the summer, fell 22 percent in August from July, acits wine business to Joseph E. Seacording to the National Machine
gram & Sons Inc. in a transaction

Tool Builder's Association. Year to year, however, the trend continued upward, with orders posting a healthy 59-percent gain from August 1982, the association said Sunday in its monthly report. subsidiary that includes Sterling

Vineyards, Monterey Vineyard and

Seagram is the U.S. subsidiary of Montreal-based Seagram Co. Ltd., the world's largest producer and marketer of distilled spirits and

would receive more than \$200 mil-

lion, with the value of the transac-

tion pegged to the book value of the

assets at the time the deal is closed.

completed by year's end. In addi-

tion to government review, the sale

is subject to negotiation of a defini-

tive agreement and the approval of the boards of directors of both

companies.
Atlanta-based Coca-Cola en-

tered the wine business in 1977 with the purchase of New York-

Goizneta, said the sale of the

based Taylor.

The agreement is expected to be

Taylor Wine Co.

gust remained about level with July but fell 56 percent from August 1982. Net new orders for machine tools totaled \$137.3 million during August, down from a revised \$175.1 million in July, and ship-ments were valued at \$113 million, 0.6 percent from a revised up 0.6 percer \$112.4 million.

Month-to-month comparisons do not indicate the current trends ..., especially since monthly totals are still at such low levels," said James A. Gray, chairman of the

ported July orders at \$173.4 million and July shipments at \$109.9 mil-

Prices in Belgium Rise 0.7% The Associated Press

in Belgium rose a provisional 0.7 percent in September, Economics Minister Mark Eyskens said Mon- C. day. Prices rose 0.95 percent in the Wine Spectrum is in line with the previous two months. The year-onyear inflation rate for September was 7.33 percent, down from 7.9

returns on assets are highest," he said. "This attractive offer from ATLANTA - Coca-Cola Co. said Monday it had agreed to sell Seagram allows us to further imple-

gram & Sons Inc. in a transaction ment this strategy." industry sources valued at more than \$200 million.

Under the preliminary agreement, Seagram would acquire the Wine Spectrum, the Coca-Cola mbediagraphy for include Station Mr. Goizueta added that the company "is very proud of the suc-cess of the Wine Spectrum, and we believe this is an appropriate time to realize the value of that business. Under the terms of the letter of intent, we will fully recapture our

investment in the wine business." Edgar M. Bronfman, chairman and chief executive officer of Sea-gram, said his company believes the wine industry "will experience great growth in this country, and Terms of the agreement were not we intend that Seagram will partici-disclosed by either Coca-Cola or pate fully in and contribute signifi-Seagram. But a source familiar with cauthy to that growth."

cantly to that growth."

Seagram already has two wine operations in the United States, Gold Seal Vineyards Inc., in New York, and Paul Masson Inc. in California. It also has interests in the wine business around the world, including the Barton & Guestier wines of France.

Italy's Industrial Output Rose Marginally in July

ROME - Italian industrial output, seasonally adjusted, rose 0.6 percent in July, according to provisional figures, after a 1.8-percent drop in June, the national statistics institute, Istat, said Monday.

company's present corporate strat-We are constantly striving to Output showed a seasonally adjusted 8 percent fall compared to concentrate our resources in the July last year.

late Notes Monday's

Prev. Consolidated Close \$755,000

Tables include the nationwide pric Up to the closing on Wall Street

Closing

7.700 odollar Loan MAN GREET PAKERS AND STORMAN

September 16, 1983



\$120,000,000



Inter-American Development Bank

121/8% Ten Year Notes of 1983, due October 1, 1993

Kidder, Peabody & Co.

Salomon Brothers Inc

Merrill Lynch Capital Markets

Lehman Brothers Kuhn Loeb

Goldman, Sachs & Co.

CROSSWORD 22 Open-taesh fabric 47 Brother of a til. **ACROSS**

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23 Mexican revolutionary: 1877-1919 24 Establish 26 Forefather 27 Time of day, in 28 Cheapest ship passage, once 32 Sea urchins 36 Kind of wit

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DENNIS THE MENACE

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83 Pa. lakeside

<u>DOWN</u>

1 Garret 2 An evergreen 3 Triple Crown winner: 1935

5 Put up

8 Make known

16 Barrelmaker

Heater or grill

Writer

comics 28 Dispatches 29 Canadian singer Paul 30 — Friday 00 Alaskan native 62 Court security (secretary) 31 And others: Lat abbr. 32 Narrow Woffington's opening 33 Of aircraft 34 Lowest high tide Gardner 65 SSgts., e.g. 67 Small viper 35 Memorable

41 Canine, e.g. 42 Scullers 43 Memo abbr. 44 Riverinto Lake Ontario 46 Chewing-gum 49 "Oliver Twist" villain 50 Footstep 51 Diploma word 52 Record 53 Title Liszt held 54 Tear's partner 55 Deep filue 56 Vigor, to a viruoso

stage couple 39 Scent

59 — de Triomphe 61 Was in front O New York Times, edited by Eugene Maleska.



BEETLE BAILEY

WHY THE

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I HAD TO WORK LATE, AND THEN

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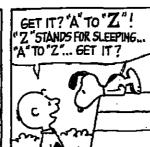
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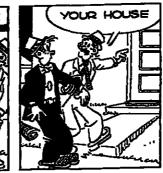


IT'S NOT AS IF

YOU'RE OUT































Sept. 26

for an attack on the king with 14 P-B4?! This was not advisable after two pairs of minor pieces had been exchanged off and there were no weaknesses in the black king position. Besides, such a strategy would make it all the more difficult to keep an eye on Black's attempts to counterattack with . . P. Q4 or . . P-QN4.

Streen enough Delivation was not advisable, out his reat problem was not so much material as the insecurity of his king.

With 32 . . . Q-B5!, DeFirming out of control. Had Gureing out of control. Had Gureing out of control at the control of the control o

Sure enough, DeFirmian 34 . . . R-Q6.

BOOKS

EASE MY SORROWS A Memoir by Lev Kopelev

Translated from the Russian by Antonina W. Bouis. 256 pp. \$17.95. Random House, 201 East 50th St., New York, N.Y. 10022.

Reviewed by Michiko Kakutani

I N "The First Circle," Alexander Solzhenitsyn drew a portrait of a young, idealistic Stalinist named Rubin, whose faith in the Communist Party and its promise of a brave new world remained unshaken by his own first-hand exposure to the brutalities of the Gulag. The "real-life" model for Rubin was Lev Kopelev, a scholar and former Soviet Army officer whom Solzhenitsyn became friends with in prison camp — a man, who, like Rubin, clung to his naive faith in the party's promises for

many, many years.
"Ease My Sorrows" is the third volume of Kopeley's memoirs, and taken together, these books chronicle not only the slow, tortuous moral growth of an individual, but also the events which comprise modern Soviet history - from the collectivization of agriculture in the 1920s, through Stalin's purges and actions during World War II, to the present-day suppression of intellectuals and dissidents.

In the case of Kopelev, himself, it is the story of a spiritual odyssey, the story of a "true believer" who slowly renounced his faith. This process of disillusionment took place by small grees over many decades, and given the historical atrocities Kopelev witnessed - not to mention, the personal ordeals he suffered in prison — his reductance to relinquish his youthful political ideals seems remarkable indeed. But that is exactly why he has written these memoirs; by testifying to what he saw and felt, he has demonstrated how a good, kind, well-intentioned man - and there are doubtless many others like him — could will-ingly support a brutal system, how frightening-ly easy it is to rationalize events when one truly wants to believe.

Born into a middle-class Jewish family in-Kiev, Kopelev embraced Communism as a young man. He believed in "the fatherland of the workers"; believed that the party leaders would create a wonderful, classless society; believed that the Soviet state would fulfill old York Times.

nationalistic, Russian designs. During World nationalistic, Russian designs. Laring World War II, however, he was appalled by how the Red Army engaged in the looting and pillaging of German towns, and after criticizing these events, he was found guilty of the sin of "bourgeois humanism" and sent to prison. He rationalized his punishment the same way he had resignatized the suffering inflicted way the rationalized the suffering inflicted upon the peasants by collectivization and the anti-Semi-tism that illourished in the wake of the "Kremlin doctors" case - these were all sad, unpleasant incidents necessary for bringing about a

new world. At the same time, though, Kopelev is starting to think about the "contradictions between historical necessity and moral necessity," and much of this volume is devoted to his attempts to reassess Marxist orthodoxy in light of his humanistic beliefs. It is a process that begins for him, during a 10-year prison term in a camp, housed in a former church called "Our Lady of Ease My Sorrows."

There, Kopelev meets his fellow prisoner, Solzhenitsyn — among the many hard-edged portraits in this book is one of the famous author as a young skeptic — and there he engages in many long philosophical discussions with the other prisoners.

Compared with the experience of other Soviet prisoners, Kopelev's was relatively mild physical and psychological torture were fairly minimal at the "Ease My Sorrows" camp but he demonstrates, nonetheless, some of the terrible human consequences of the Soviet sys-tem of justice. Indeed his portraits of fellow prisoners — for instance, a petty thief who exposes his best friend as a "counterrevolutionary" in order to win a reduced sentence for "mother of the modertime just how that system "emptied" people of their "souls and brains," their hopes and faiths.

After he was released from prison, Kopeley.

returned to Moscow, where he continued his work in literature and became a leading dissident. Though his doubts about Marxist orthodoxy grew over the years, he continued to hope that he could work within his country for,

In 1980, while visiting West Germany, he received a letter from the Soviet government announcing that he had been stripped of his citizenship and would not be allowed to return:

Michiko Kakutani is on the staff of The New

CHESS

By Robert Byrne

DeFirmian, a 26-year-old Oak-land, Calif., international master, took the brilliancy prize for his game with the Los Angeles id, long-term, speculative at-tack and the combination prize grandmaster-candidate Dimitry Gurevich which was earned for three combinations. one to stop his opponent's at-tack, one to seize the advantage and one for his kill.

In his encounter with Gurevich, it could have been expected, after 13 . . . P-Q3, that White would set up the Maroczy bind with 14 P-K4 and that Black would then bave played 14 . . . P-QR3, with a kind of simplified hippopota-

However, Gurevich did not RxR.

Q4!; 26 Q-K3, Q-Q2; 27 BxB, sults in 37 . R-R4mste, Gurevich gave up 1 follow a positional course; instead he seemed to be aiming

soon broke in the center with 16 ... P-Q4, unworried about the isolated QP created AT the 1983 United States about the isolated QP created by 17 PxP, PxP because the ship in Greenville, Pa., Nick backward white KP was a

Gurevich's dangerous threat, with 19 P-N4, was, of course, to his game with the Los Angeles grandmaster James Tarjan which was based on an intrepid, long-term, speculative at lack and the combination prize (20 PxP, B-B4; 21 Q-K5?, Pfor his game with the Brooklyn Q5, 22 N-N5, R-K1! is powerful for Black), PxP; 21 PxN, B-B4; 22 Q-K5, PxN.

After 30 . . . QxP, Gurevich did have a pawn for the was not so much material as the



Position after 33 R-K2

Accordingly, Gurevich chose : 23 ::: Now it was the white king 33 R-K3 but was at once hit by that was the more vulnerable (a DeFirmian's decisive combination of the combination of th DeFirmian's decisive combinalingering effect of that 14 P- tion — 33 . . . P-R5ch!: 34 B4?!) and DeFirmian rushed to K-N4 (34 K-N2, RxP; 35 Rcapitalize on this with his sec- KB3, R-K5; 36 R-K3, R-Q7 ond combination, initiated by would lead to prosaic butch-26 Q-K4, R-N4ch wins the with 36 K-N5 only because white queen. So Gurevich did there was nowhere else to go, the best he could in dropping was caught by 36 . . . R-the exchange with 25 BxP, R- B4ch. Seeing that 37 K-R6 re-

Gurevich gave up.

ZIMEA **POAYS** SUNDOL MUSIC THAT MIGHT TURKEY DINNER. CUPSAM BASIN DUSKY LARYNX PONDER Answer: What the gardener said when the flower wouldn't grow—"UPSY-DAISY" WEATHER EUROPE ASIA Bongkok Bellies Hozz Kons Manife New Delki Secul Stangkol Stangkol Stangkol Stangkol Stangkol Stangkol AFRICA

'MARGARET'S JUST NOT MY CUP O' ROOT BEER, THAT'S ALL.

JUMBLE THAT SCRAMBLED WORD GAME
by Henri Arrold and Bobt ex

Alpiero 28 82 1
Coire 30 85 9
Coire 30 85 9
Cosebianco 30 86 1
Rerare Matrobi 29 84 1
Tunis 31 88 2
LATINAMERICA NORTH AMERICA MIDDLE EAST OCEANIA TUESDAY'S PORECAST — CHANNEL: Smooth, FRANKFURT: Rolf, Temp. 21—6 (79—43), LONDOW: Foir, Temp. 24—10 (75—50), MADRID: Foir, Temp. 25—15 (77—59), NEW YORK: Foir, Temp. 23—14 (74—58), PARIS: Foir, Temp. 25—10 (75—50), ROME: Thunderstorms, Temp. 23—17 (73—51), Tel. AVIV: Foir, Temp. 31—17 (85—53), ZURIÇAY: Foir, Temp. 21—11 (70—62), BANGKOK: Thunderstorms, Temp. 23—25 (90—77), HONE KONG: Poir, Temp. 33—27 (85—61), AMNLA: Roln, Temp. 23—21 (77—78), SEQUE: Roln, Temp. 23—25 (90—77), TOKYO: Roln, Temp. 23—29 (77—48), SEQUE: Roln, Temp. 23—20 (77—48).

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Johannesburg AECI Borlow Blyvoor Buffels Efendsron GFSA Harmony Kladf Pat Steyn Rustplot S.A. Brew St. Helenty Sasol Composite Previous: 9.50 13.35 17 45 15 136.50 27 54.75 54.75 54.75 7.45 44 4.38 London 21 1.44 1.48 4.79 3.27 3.21 2.41 2.22 1.51 2.52 1.51 2.53 4.44 2.23 5.52 1.7 1 2.55 4.74 6.75 6.78 Milan

Other Markets

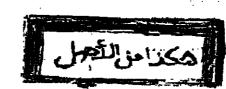
Candidian Indexes Sept. 26 The Global Newspaper **Edited in Paris** Printed Simultaneously in

Paris, London, Zurich, Hong Kong and Singapore

Close 198.06 50 50 1,170 71,00 297,70 1,718 533 52,265 12,265 570 1,265 577,530 54,26 113,530 54,26 1,169 71,530 7 Prev. 188.10 589 1.145 1 195 4 Singapore 3,52 9,70 6,40 2,86 3,00 3,46 9,50 0,46 1,97 N.T. 5,70 5,45 5.55 9.80 6.45 2.84 3.50 9.85 10.90 1.99 N.T. 5.70 5.45 Stockholm 29,590 220,25 1,818 3,360 3,060 44,975 4,924 45,700 3,47 4,200 2,480 1,140 5,400 Maniadison Olivetti Pirelli Snia Viscosa Standa BCI Index: 196.73 Pravious: 196.73

Canadian Stock Markets Prices in Canadian cents unless marked \$

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Deman towns, and after the was lound guilty of the Australia Wins As accuracion and sent to pix solution and sent to have sent to have the punishment the land the sufficient in the land the sufficient in the land the sufficient in the land to the sufficient in the land to the sufficient in the sufficient America's Cup

At the same time though kind to think about the coulding First Triumph by Challenger instance of this volume is devoted by the stage of the st

There, Kopeiev meets he comeback in the seventh and decisive race Monday and broke the southers in this book is one of the America's Cup with a historians with the cities prisoner.

Compared with the cities prisoner in systemions winged keet trailed by eight seconds at the start of the race

Compared with the crim prisoners in mysterious winged keel trailed by 29 cight seconds at the start of the race eight seconds at the start of the race and remained behind most of the way. But John Bertrand steered her ed way. But John Bertrand steered her way. But John Bertrand steered her ed way.

After he was released from post on the 24.3-mile course.

The victory triggered wild celebrate in interacture and became the porters in the spectator fleet on during grew over the years, become and streets of Newport and in Auschauge.

The victory triggered wild celebrate in the spectator fleet on the docks and streets of Newport and in Auschauge. ha 1980, while visiting Wes to television.

extraved a letter from the Society television.

The cup, first won by the schools of the schools insourcing that he had been say ner America in 1851 and defended assesship and would not healthful 25 times since, was the only inter-Michiko Kakutari is on the sight hands. national trophy never to change

Conner, a 41-year-old San Diego drapery manufacturer, had successfully defended the cup aboard Freedom in 1980. But he squandered a 3-I lead in this year's series, which was the first to go to a sev-

For Alan Bond, the head of the Australia II syndicate, the victory ended a decade of frustration. Starting in 1974, he had mounted three campaigns and won just a single race in 13 tries against the Americans.

The Australian victory means the competition will leave this seaside resort for the first time since 1930, when it was relocated here from Sandy Hook, New Jersey. The Australians said that if they beat Postinities Liberty they would defend the cup in 1986 m Perth.

According to Liberty took the start Monday, the legality of the Australian R-Ki but make as she had done in the three previous minged keel was challenged by the Defirming the out races, by eight seconds, but host club. his orth his at KB; R-K; ME The Australians' upwind superi- backed the keel. ार**्टे क्यां श**हर -

The tactical error allowed Liberty to tack ahead and pick up a wind shift on the favored left side of the 4.5-mile leg.

Liberty rounded the first mark 29 seconds ahead. Fresh wind beiped both bosts on

the second leg, but Liberty benefited the most, rounding the second buoy 45 seconds in the lead. Bertrand switched spinnakers

and cut the gap to 23 seconds at the third mark. The 36-year-old Meibourne sailmaker did not engage in a tacking duel when he had the chance on the next upwind beat, and Liberty took a 57-second lead rounding the fourth mark.

But Australia II, flying with the wind at her back, surged ahead two-thirds of the way through the fifth leg when she went to the right while Liberty plowed straight ahead and left the challenger off on

Australia II got favorable position inside her opponent, and the American lead drifted away.

At stake in the race was the bottomless silver trophy boited to a table in the New York Yacht Club's Manhattan mansion.

The start was delayed because of shifting winds after being called off Saturday for the same reason. The Race Committee of the New York Yacht Club reset the course marks and started Monday's race 55 minates late in eight-knot winds.

Conner originally counted on medium winds of 12 to 15 knots and had 1,000 pounds (about 450 kilograms) of weight removed -reducing Liberty's weight to 54,000 pounds - in expectation of those conditions. Australia II weighed

Notably absent from Australia II on Monday was a protest flag that the Australians said they would be flying concerning Liberty's reballasting Friday night.

The final match culminated a

summer of elimination trials at sea and controversy ashore in which

There was to enclave the same Caldwell, on Tour Since '74, with in decrease was cough to? Finally Takes a PGA Event OQL 17 Ba3. selfs in 17.

Caldwell began his round at par but finished with a 6-under 282 for see, Florida, has finished second in the victory — his first since joining four tournaments this year, including the PGA Tour in 1974. ing the Las Vegas Celebrity Property — Trevino, who began the round in Am last week.

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remessi well fired seven birdies for a 6- Andy Bean and David Graham under-par 66 on his home course tied for third at 285. Lyn Lott fol-Stinday and surged past Lee Tre-lowed at 286, while Ben Crenshaw, vino to win a Professional Golfers' John Cook and Hal Sutton were Association tournament by one tied at 287. Hale Irwin was at 288.

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stroke. Caldwell, 33, who recently moved to Abilene from Tallahasbut finished with a 6-under 282 for see, Florida, has finished second in

ABILENE, Texas - Rex Cald- round 73 to finish second at 283.

first extra-point attempt.

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Redskins 27, Seahawks 17 In Seattle, Joe Theismann fired three touchdown passes, including

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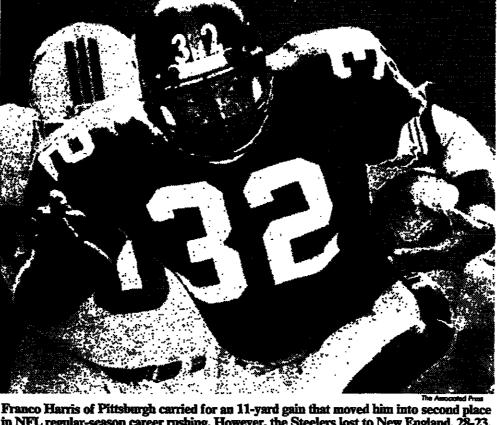
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in NFL regular-season career rushing. However, the Steelers lost to New England, 28-23.

Montana Passes for 3 Touchdowns As 49ers Defeat Falcons; Tyler Hurt

player in Washington's Super Bowl

victory over Miami last January,

carried 30 times for 83 yards and

one touchdown - a 1-yard run in

Seattle scored on two touchdown

passes from Jim Zorn to Steve Lar-

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(Continued From Back Page)

with 5:07 to go.

the first quarter.

the San Francisco defense

sacked Steve Bartkowski eight times as the 49ers defeated the Atlanta Falcons, 24-20, in a National Football League game Sunday.

There was bad news for the 19ers, however -- the loss of Wendell Tyler, one of the leading rushers in the NFL. He suffered a dislocated shoulder in the first period. Atlanta lost one of its offensive stars, the wide receiver Alfred Jackson, whose left collarbone was broken later in the first half.

Montana's third scoring pass of the game and 10th of the season was a 1-yard toss to the tight end Harl Cooper early in the fourth quarter. Bartkowski, who had two touchdown passes in the game, had given the Falcons a 20-17 lead with a 3-yard touchdown run early in the final quarter.

Montana threw two scoring esses to Dwight Clark in the first half, and Ray Wersching kicked a 24-yard field goal in the third period for San Francisco.

Colts 22, Bears 19

In Baltimore, Ranl Allegre, who missed a 45-yard field goal with three seconds left in regulation time, kicked a 33-yarder after 4:51

19 victory over Chicago.

Allegre also had field goals of 37
and 47 yards in the fourth period.

Green Boy
Chicago
Detroit
Tames Boy and 47 yards in the fourth period.
The Colts got first-half touchdowns on a 1-yard run by Randy McMillan and a 19-yard pass from Mike Pagel to Bernard Henry.

Chicago's quarterback, Vince

Evans, engineered two touchdowns in the final period—a 57-yard pass to Willie Gault and an 8-yard run - to send the game into overtime. Bob Thomas kicked two field goals for the Bears but missed his

ones of 64 yards to Charlie Brown

and 47 yards to Alvin Garrett in the gent and a 27-yard field goal by SAN FRANCISCO—Joe Mon-second quarter, as Washington Norm Johnson. tana passed for three touchdowns beat the Seahawks, 27-17.

Raiders 22, Broncos 7 Theismann's other touchdown In Denver, Jim Plunkett threw pass was a 4-yarder to Rick Walker two touchdown passes to Cliff John Riggins, the most valuable

Branch as the Los Angeles Raiders defeated the Broncos, 22-7. Plunkett threw scoring passes of 35 and 17 yards to Branch, and Chris Bahr kicked two field goals

for the Raiders. The Broncos averted a shutout on Zach Thomas's 70-yard punt

return with 1:42 left. John Elway, Denver's rookie quarterback, suffered a slight concussion late in the first half and did

Browns 30, Chargers 24 In San Diego, Brian Sipe threw a 48-yard touchdown pass to Harry

Holt 1:53 into an overtime period. lifting Cleveland to a 30-24 victory over the Chargers. The Browns had tied the game when Matt Bahr kicked a 32-yard field goal with 18 seconds remain-

ing in the round qualities had driven from the San Diego 43yard line after a punt. The Chargers had rallied from a 21-10 deficit early in the third quarter to take a 24-21 lead on a pair of 2 0 500 59 44 touchdown passes from Dan Fouts
2 0 500 59 44 touchdown passes from Dan Fouts
2 0 500 55 to Wes Chandler. to Wes Chandler.

ing in the fourth quarter. Cleveland

Jets 27, Rams 24 In New York, Pat Leahy kicked

a 26-yard field goal with 6:38 left in overtime as the Jets beat the Los Angeles Rams, 27-24.

The field goal capped a 50-yard Angeles Rams, 27-24.

The field goal capped a 50-yard drive guided by the Jets' quarterback, Richard Todd, who had 37

completions in 50 pass attempts for 446 yards and two touchdowns.

The Rams had tied the game on a 3-yard pass from Vince Ferragamo to Mike Guman with 32 seconds of the fourth quarter. In the third quarter, the New

York defensive end Mark Gasti- x-Chicog nean sacked Ferragamo and went into a dance of celebration. Gastinean was shoved from behind by the Rams tackle Jackie Slater, triggering a bench-clearing brawl.

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Orioles Capture Division Title With 5-1 Victory Over Brewers

MILWAUKEE - Jim Dwyer

and Joe Nolan homered and Storm Davis and Tippy Martinez com-bined on a six-hitter Sunday as the Baltimore Orioles beat the Milwankee Brewers, 5-1, to clinch the American League East title.

The Orioles will play the Chicago White Sox, the champions of the

BASEBALL ROUNDUP

West, in a best-of-five series for the American League pennant begin-ning Oct. 5 in Baltimore.

"It's a great feeling," said Balti-more's designated hitter, Ken Sin-gleton. "Some people say there's Orioles' magic. But it's not magic. We just have an awful lot of talent and ability here."

The Orioles took a 3-0 lead in the third inning when Rich Daner and Al Bumbry singled off Chuck Por-ter (6-9) and Dwyer followed with his eighth home run of the season. Baltimore added two runs in the fourth when Singleton tripled and Nolan hit his fifth homer.

Milwaukee scored in the sixth when Bill Schroeder singled, went to second on a passed ball and scored on a single by Robin Yount. Davis (13-6) went six innings before giving way to Martinez, who held the Brewers to three hits over the final three innings.

Tigers 3, Red Sox 2 In Detroit, Kirk Gibson's home run and Alan Trammell's sacrifice fly led the Tigers to a 3-2 victory

over Boston. Twins 7, Royals 1 In Kansas City, Missonri, Tom Brunansky knocked in three runs with a double and an inside-the-

park homer as Minnesota beat the Royals, 7-1.

Yankees 6, Indians 4 In New York, John Montefusco itched a seven-hitter over 71/3 innings and Roy Smalley drove in three runs to lead the Yankees to a 6-4 decision over Cleveland.

> Mariners 2, Rangers 1 In Arlington, Texas, Bob Stod-

dard allowed only five hits in 81/3 innings and Darnell Coles singled in a second-inning run as Seattle beat the Rangers, 2-1.

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Baltimore's Sammy Stewart had his foul-weather gear, but all was sunny in the Orioles' locker room after they clinched the AL East title. Bill Swaggerty did the pouring.

White Sox 8, Angels 5 In Anaheim, California, Jerry

Dybzinski hit a double and two sacrifice flies to drive in three runs in Chicago's 8-5 victory over the Angels. LaMarr Hoyt (23-10) won his 12th straight.

Blue Jays 8, A's 6 In Oakland, California, Rance Mulliniks hit a three-run homer in

the top of the ninth to rally Toronto over the A's, 8-6. Phillies 6, Cardinals 5

In the National League, at St. Louis, Pete Rose's pinch-hit single in the 10th inning gave Philadelphia a 6-5 triumph over the Cardinais. The victory, coupled with Pittsburgh's loss to Montreal, gave the Phillies a four-game lead over the Pirates in the NL East with six

Expos 5, Pirates 3

two-run single as the Expos beat Pittsburgh, 5-3. Braves 7, Dodgers 1

sacrifice fly and Al Oliver added a

In Atlanta, Glenn Hubbard and Bruce Benedict each had three hits as the Braves defeated Los Angeles, 7-1, to move within 31/2 games of the Dodgers in the NL West.

Reds 5, Padres 2 In Cincinnati, Dann Bilardello and Skeeter Barnes hit back-toback homers in the second inning as the Reds beat San Diego, 5-2. Cubs 11, Mets 7

In Chicago, Larry Bowa went 4for-4 and scored three runs and Reggie Patterson recorded his first major-league triumph as the Cubs beat New York, 11-7.

Giants 3, Astros 0

In Houston, Scott Garrelts had a five-hit shutout in his first major-In Montreal, Gary Carter drove league complete game as San Franin two runs with a single and a cisco beat the Astros, 3-0.

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ART BUCHWALD

What to Do About Watt

anymore. When Secretary of the Interior James Watt said, in describing a panel appointed to study the coal-leasing situation, "We have every kind of mix you can have, I have a black, I have a woman, two Jews and a cripple, and we

started another political fire-

Watt managed, in one sentence, to offend a race, a sex, a religious group and almost every afflicted person in the Unit-

Buchwald The last time he blew it was when he banned the Beach Boys from the Mall on the Fourth of July. Then the White House decided to laugh it off by giving Watt a big foot with a hole in it where he shot himself. It made a great photo.

The damage conitol people met right after Watt's new boo-boo to see what to give him this time. One political expert said, "Why don't we give him a large watermel-on to stick in his mouth?"

"How about letting him come out of the White House in drag and blackface, wearing a skullcap while

A White House chief said, "I'm not sure the people he offended will

see the humor in it."
"Oh, come on," said another
White House aide. "If we can't laugh at ouselves in this country, we're in a lot of trouble."

"We are in a lot of trouble," the political aide said, "The chief

Batmobile Is Auctioned For \$77,000 in U.S.

United Press International LOS ANGELES -- The Batmobile, the custom coupe that Adam West used as the caped crusader of the 1960s TV series "Batman," was

auctioned here for \$77,000. The black machine was one of a dozen cars bought for nearly \$250,000 by a New Jersey trucking company official, Joe Molina, a spokesman for the Celebrity Car Âuction said.

MOVING

WASHINGTON — No one spends all his time saying his administration has done more for ministration has done more for blacks, women, minorities and the handicapped than any other president, and then that born again nerd, in one stupid statement, blows it."

"We have to come up fast with something that can get us off the

Why don't we just publicly cen-

sure the guy?" We can't do that We'll only offend the people who thought his remark was very funny."

"I have an idea. You know those things they have at carnivals where a guy sits on a platform and people throw balls at him, and every time they hit him he gets dumped in a tub of water? We could set one of those up on the White House lawn and invite the public to throw things at Watt. The president could throw out the first ball."

That would be sort of fun, but don't you think it's slightly undignified for one of the president's cabinet officers?" "Not for Watt. He has a great

sense of humor." "I have a crazy idea. Instead of treating it like a joke, why don't we get the president to fire the secre-

What for? We have to give Watt a reason," a White House aide said.
"We'll say we need the post to appoint a member of one of the groups he offended."

"He offended a lot of people." Suppose we found a black Jewish woman with one leg that was shorter than the other?"

"I'm not against it, but where do we get one?"
"We'll go through the mail that we have been receiving since he

made his remark. I'm sure we'll find a candidate there." "The president will have to make the final decision. In the meantime we have to put the fire out right away. Schedule the president to speak to a black group, a women's group, a Jewish group and a handi-

capped group in the next week."
"It will be too obvious if he addresses all of them at this time." "We'll declare October black Jewish handicapped women's month. It's about time the presi-dent recognized them for what they've done for the country."

Germany Rocks to Its Own Accent

In East and West, Singers Are Adapting the Language to the Music

many, their lyrics heavy with

anti-American jabs at the neu-tron bomb and Hiroshima.

Nina Hagen, who was thrown

out of East Germany in 1976 at

the age of 21, dismisses much of

this as "agit-socialist rock." The

extravagant, self-indulgent, qua-si-operatic singer is back home after a stretch in Hollywood. "I

like to rap in German; it's my language," she said, wearing a gold tinsel wig over her greenish

Iroquois hairdo as she relaxed in a small botel here. "The German language is absolutely as sexy as the English one."

Hagen's career stumbled three

years ago after she split with the Nina Hagen Band, which went on

to make distinctive, almost intel-

lectual music of its own under a

Nina Hagen, before her

greenish Iroquois hairdo.

REAL ESTATE

TO RENT/SHARE

GREAT BRITAIN

new name -- Spliff.

By James M. Markham New York Times Service

BERLIN — There is a new sound around in the land of Mozart, Beethoven and Wagner. Its practitioners - Udo Lindenberg, Nina Hagen, Bap, Spliff, Nena and Peter Schilling
— are squaring a musical circle. singing what a few years ago seemed a contradiction in terms:

German rock.

When they started elbowing their way into the local, British-American-dominated charts in the late 1970s, the German rock bands were inevitably dubbed "the new German wave," a metaphor that evoked an eventual crash on the beach. They are holding, though, still belting out strong, experimental - if sometimes gimmicky and heavily electronic --- songs, and taking aim at the U.S. market.

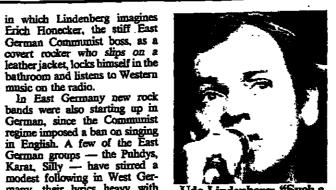
Heroes and talismans for vonne Germans both in East and West Germany, the bands are changing the language of Goethe, stripping it of pomp and rough edges and adorning it with street talk and witty argot.

. Udo Lindenberg, a gaunt and sinister-looking fellow who was born on the Dutch frontier in 1946, was the first to try singing else was aping the Beatles or the Rolling Stones in English. "We lost our language," said Linden-berg, who favors a black fedora and black leather jacket and pants. "When I started singing in German in 1972, everybody said,

You're crazy.' "

The German language, conventional wisdom ran, was too clumsy and harsh, its verbs too far from their subjects, for the taut, condensed tempo of rock music. The mother tongue was tainted, too, by association with a tradition of sentimental, kitschy love songs. But in 1973, Lindenberg broke through this barrier of prejudice and inhibition with a rollicking hit in German called

"All Clear on the Andrea Doria." For several years, Lindenberg was a lonely, one-man phenomenon out of Hamburg. A durable hit, to the rocked-up tune of "Chattanooga Choo-Choo," was titled "Special Train to Pankow,"



Udo Lindenberg: "Such a great political impact."

Now Hagen has people talking about her again, not least because she has taken to reviving the mannerisms, clothes and music of Zara Leander, the red-haired Swedish actress and singer who became the sex symbol of the Third Reich.

It all recalls, uncomfortably, a blatant Nazi moment in the new German wave last year when a hard-rock group called Breslau attracted attention with an album called "Volksmusik." Ban, a Cologne group, counterattacked with an angry, eerie song, "Crystal Night," which was introduced at concerts with pointed reminders to those "who seem to have forgotten the past." Breslau (which is the German name for the Polish city Wroclaw) quickly

faded and disappeared.

If the new wave has a political center of gravity, it is somewhere on the left, not the right. Lindenberg gave the anti-nuclear Green Party a big lift by campaigning for it in the March parliamentary elections, and he will be involved in demonstrations against the de-ployment of U.S. missiles in West Germany this autumn. "We Germans have made two horror wars," said Lindenberg. "We have a special duty to learn from history. What I find so great in Germany is that groups like me and Bap can have such a great

political impact."

It is hard to find a band that hasn't done at least one song about the horrors of nuclear war. One of the most successful by a loons," a lilting tale about an ac- singing in Kölsch."

cidental puclear war that has just been translated into English. But, sitting around a working table doing their income taxes here, four members of Nena disavowed any wish to be sending

political messages. "I could not stand on a stage and represent any kind of ideology," said Nena Kerner, 23, the band's throaty singer. "We want to have fun in the world. We want to do what we have fived." Willy-nilly, though, the new

wavers realize they are caught up in pulling together strands of a national consciousness. "We all feel the problems of the German identity," acknowledged Manfred Pracker, 32, a bass guitar player for Spliff, one of the most exciting and innovative groups. "And I feel myself a —" here a pause — "a Germanspeaking member of a frontierless Europe.

As for the roots of their music The young Germans do not have the German music tradition, said Uwe Fahrenkrog-Petersen, 23, Nena's keyboard player. "We grew up with Pink Floyd and the Rolling Stones, not with Bach and Beethoven."

As it crests and broadens, the new wave is a demonstrated commercial success. While other sales stagnate, the production of new wave records in West Germany has jumped by 16 percent in the last 12 months, and more than half of the top 20 hits have been German rock, as compared with one or two titles two years ago. A few German singers have broken onto the American charts, most recently Peter Schilling with an electronically hyped song called "Major Tom." But as Manfred Pracker of Spliff says: "We all have a great dream - to play in America.

Others seem content to deepen their German roots. Bap, for example, sings in Kölsch, the Cologne dialect, but draws fans from all over the country. "I feel myself that I'm so happy to sing in my own language," said Wolf-gang Niedecken, the founder of Bap. "We're not going to sing in English, and it would be pretty hot group, Nena, is "99 Bal- stupid to think of Americans

PEOPLE

Night."

A Medal for L'Amour

President Ronald Reagan pre-sented the frontier novelist Louis L'Amour with a special Congressionai Gold Medal at the White in 1920 and spent three weeks with House. The North Dakota writer is the first novelist in the nearly 200year history of the medal to be honored by a vote of both houses of Congress. The medal was struck by the U.S. mint and has L'Amour's likeness on the front L'Amour's 87 books have sold 140 million copies worldwide.

Two cane-bottomed chairs designed, built and signed by former President Jimmy Carter will be among the objects auctioned Oct. 7 at Sotheby's galleries in New York for the benefit of the Carter Presidential Library at Emory University, Atlanta Carter is a master craftsman with a professional workshop at his home near Plains, Georgia. He often uses wood from the floors of barns and old buildings for his furniture. The library and museum at Emory will cost \$25 million, \$20 million of which already has been raised.

Gore Vidal, 58, the American author, was formally proclaimed an honorary citzen of Ravello, Italy, capping a 35-year love affair with his adoptive town perched high above the Amalfi Drive. "The expatriate writer is finished. Modern communications have killed him," Vidal said in his speech accepting Ravello citizenship. "But at least the writer as such does have a role in Europe. It's not like in America where literature is produced by the teachers on the campuses for the students who themselves are future teachers." Vidal spends about six months a year on his six hillside acres. "Creation," his novel set in the fifth century B.C. linking Buddha, Socrates, Confucius and Zoro-Deauville prize in France.

Andrew Rothstein, British leader of an organization of British-Soviet friendship, has been awarded the Order of the October Revolution, according to Pravda. The longtime member of the British Communist Party, was given the award on his 85th birthday. Rothstein's father worked with Lenin to publish the newspaper Iskra (Spark) when Lenin lived in London in the early 1900s. The house where the two

and library with Rothstein as director. Rothstein traveled to Moscow

Film directors from Spain and elgium won the top prizes at an ternational film festival held Belgium won the top prizes at an international film festival held an nually in San Sebastian, Spain. The prize for best direction went jointly to Spain's Jose Antonio Zorrilla for his film "El Arregio" (The Arrangement) and to the Belgian

Marc Didden for "Brussels by

Lord Snowdon, 53, former husband of Britain's Princess Marga-ret, was temporarily blinded by youths in a van who sprayed him with a mystery liquid as he headed home from London's Heathrow Airport in his chauffeur-driven car. "They started squirting this stuff through an open window," said Snowdon. "Luckily I wasn't driving so it was not too serious."

President Canaan Banana of Zimbabwe, an avowed football fanatic, has disclosed where he wants to be buried. Banana, 47, told the Soccer Star of the Year banquet l that an extract in his will states when I die it is mry desire to be buried at Rufaro Stadium," a Harare football field. The president, who often dons boots and shorts to play with village youngsters and professional stars, explained that after he died "when Zimbabwe played [at Rufaro] they would have the added advantage of the invisible 12th man."

Cardinal Joseph Bernardin, a leading critic of the nuclear arms race, was named the winner of the Albert Finstein international peace prize. The Roman Catholic archbishop of Chicago will receive the aster, has just won the prestigious award, worth \$50,000, at a ceremony in Washington Nov. 8.

> Brigitte Bardot, who now devotes herself to the protection of animals, has taken up the cause against Polynesians who cat dog meat as a culinary delicacy. Bardot, 49, denounced as "unspeakable and illegal" the killing and marketing of an estimated 2,000 dogs in French Polynesia each year. "I am ashamed to be French," she declared in an article in the weekly magazine Paris Match.

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BUSINESS **OPPORTUNITIES** THIS WEEK REPUBLIC OF MALAWI Construction of the Turnoff-Champhov

Contract No. 7 / 83 NOTICE OF PREQUALIFICATION OF TEMBERERS

The section is located in the northern region and the length of road to be constructed will be approximately 51 km. Luwava Turnoff, which lies at the southern end of the proposed project, is some 240 km from the capital Lilengwe, to which it is connected by an existing surfaced road. The new high-ment lies, generally, close to existing unsurfaced roads troutes MI, 544 and MIZ, and runs through hally terrain, ranging from 1360 to 1810 meters above see level.

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Prequalifications will be determined on the basis of financial capability and previous and current experience in the construction of similar projects. Any special requirements and conditions of the ADB will also be taken into

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